



This is a digital copy of a book that was preserved for generations on library shelves before it was carefully scanned by Google as part of a project to make the world's books discoverable online.

It has survived long enough for the copyright to expire and the book to enter the public domain. A public domain book is one that was never subject to copyright or whose legal copyright term has expired. Whether a book is in the public domain may vary country to country. Public domain books are our gateways to the past, representing a wealth of history, culture and knowledge that's often difficult to discover.

Marks, notations and other marginalia present in the original volume will appear in this file - a reminder of this book's long journey from the publisher to a library and finally to you.

Usage guidelines

Google is proud to partner with libraries to digitize public domain materials and make them widely accessible. Public domain books belong to the public and we are merely their custodians. Nevertheless, this work is expensive, so in order to keep providing this resource, we have taken steps to prevent abuse by commercial parties, including placing technical restrictions on automated querying.

We also ask that you:

- + *Make non-commercial use of the files* We designed Google Book Search for use by individuals, and we request that you use these files for personal, non-commercial purposes.
- + *Refrain from automated querying* Do not send automated queries of any sort to Google's system: If you are conducting research on machine translation, optical character recognition or other areas where access to a large amount of text is helpful, please contact us. We encourage the use of public domain materials for these purposes and may be able to help.
- + *Maintain attribution* The Google "watermark" you see on each file is essential for informing people about this project and helping them find additional materials through Google Book Search. Please do not remove it.
- + *Keep it legal* Whatever your use, remember that you are responsible for ensuring that what you are doing is legal. Do not assume that just because we believe a book is in the public domain for users in the United States, that the work is also in the public domain for users in other countries. Whether a book is still in copyright varies from country to country, and we can't offer guidance on whether any specific use of any specific book is allowed. Please do not assume that a book's appearance in Google Book Search means it can be used in any manner anywhere in the world. Copyright infringement liability can be quite severe.

About Google Book Search

Google's mission is to organize the world's information and to make it universally accessible and useful. Google Book Search helps readers discover the world's books while helping authors and publishers reach new audiences. You can search through the full text of this book on the web at <http://books.google.com/>

Y4. AG8/2:G76/60/pt. 1-7

SENATE. COMMITTEE ON AGRICULTURE & FORESTRY.

Increased production of grain and meat
products ... Hearings ...

65-2 pt. 1-7.



44. AG8/2: 676/60/pl.1-

INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE AND FORESTRY UNITED STATES SENATE

SIXTY-FIFTH CONGRESS

SECOND SESSION

RELATIVE TO

INCREASING THE PRODUCTION OF GRAIN AND MEAT
SUPPLIES OF THE UNITED STATES

THURSDAY AND FRIDAY, FEBRUARY 14 AND 15, 1918

Printed for the use of the Committee on Agriculture and Forestry

PART 1



FOOD ADMINISTRATION

NOV 7 1918

WASHINGTON
GOVERNMENT PRINTING OFFICE
1918

INFORMATION BUREAU

COMMITTEE ON AGRICULTURE AND FORESTRY.

THOMAS P. GORE, Oklahoma, *Chairman*.

GEORGE E. CHAMBERLAIN, Oregon.

ELLISON D. SMITH, South Carolina.

HOKE SMITH, Georgia.

MORRIS SHEPPARD, Texas.

JOSEPH E. RANSDELL, Louisiana.

WILLIAM H. THOMPSON, Kansas.

EDWIN S. JOHNSON, South Dakota.

JOHN B. KENDRICK, Wyoming.

FRANCIS E. WARREN, Wyoming.

CARROLL S. PAGE, Vermont.

ASLE J. GRONNA, North Dakota.

GEORGE W. NORRIS, Nebraska.

WILLIAM S. KENYON, Iowa.

JAMES W. WADSWORTH, JR., New York.

J. ROY THOMPSON, *Clerk*.

INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

THURSDAY, FEBRUARY 14, 1918.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to call of the chairman, at 10.30 o'clock a. m., in the committee room, No. 326, Senate Office Building, Senator Thomas P. Gore, presiding.

Present: Senators Gore (chairman), Smith of South Carolina, Sheppard, Ransdell, Thompson, Page, Gronna, Norris, and Kenyon.

The CHAIRMAN. The object in calling this meeting was to consider the food situation generally and the meat and wheat situations in particular. There is a serious alarm, and appears to be a growing alarm, over the country that there will be a food shortage, and the committee desires to do whatever it can to assist in meeting the situation.

Senator Kenyon, you stated you would have a gentleman present.

Senator KENYON. Yes; Mr. Sykes, as I say, who is president of the Corn Belt Meat Producers' Association, a very large association of stock producers, is here.

The CHAIRMAN. Mr. Sykes, we will be glad to have you come forward and take the stand.

STATEMENT OF MR. A. SYKES, PRESIDENT CORN BELT MEAT PRODUCERS' ASSOCIATION, IDA GROVE, IOWA.

Senator KENYON. Mr. Sykes, what is the Corn Belt Meat Producers' Association?

Mr. SYKES. The Corn Belt Meat Producers' Association is a voluntary organization of farmers and feeders, principally located in Iowa, who try to look after and care for the interests of the farmers and feeders from their standpoint.

Senator KENYON. How many members are there, Mr. Sykes?

Mr. SYKES. Oh, I should say, roughly, 10,000; I do not know exactly.

Senator KENYON. Some are from other States?

Mr. SYKES. Yes, sir.

Senator KENYON. Is it specially concerned with the meat question?

Mr. SYKES. Yes, sir; the meat question is one of our main questions that we take up—the live stock and meat question.

Senator KENYON. Will you go ahead in your own way and tell the committee the situation as to hogs and cattle.

The CHAIRMAN. Did he state, Senator Kenyon, how many States were represented?

Senator KENYON. He said principally Iowa.

Mr. SYKES. Principally Iowa.

Senator KENYON. What other States do you represent?

Mr. SYKES. Illinois, Nebraska, Missouri, and Minnesota.

Senator PAGE. Will you please state how your association becomes intermingled with the grain affairs of your State? Of course, there must be a connection in some way, because you feed to the hogs the grain that you raise.

Mr. SYKES. Our association is composed of both grain farmers and meat producers, Senator.

Senator KENYON. You are a farmer yourself?

Mr. SYKES. Yes, sir; I am a farmer and feeder myself, and I should say that 50 per cent of our members are composed of what we call "grain farmers," who produce grain and some hogs; on the other hand, feeders in the sense that we refer to a feeder—when we speak of a feeder in Iowa we mean a man who is commercially a feeder—who buys stock on the markets for feeding purposes and takes them home into his yards and fattens them there on grain, and then ships the stock to the market. That is what we term a "feeder."

Senator PAGE. Are not the feeders intimately associated with you in your association?

Mr. SYKES. Yes, sir; I said I thought about 50 per cent of our membership are feeders and about 50 per cent are what we call "grain farmers." Of course, we commingle and cooperate and try to look out for each others interests in this way.

Senator KENYON. The car situation in the Middle West is making great trouble, is it not, for the shippers?

Mr. SYKES. Yes, sir.

Senator KENYON. Just go ahead in your own way. Of course, the main question is this production question, but we want the transportation situation also.

Mr. SYKES. The live-stock situation is critical, gentlemen, in Iowa. I come to tell you that. I came with the purpose of trying to see everybody who is an authority and endeavor to get some relief. In Iowa and Illinois and eastern Nebraska and southeastern and southern Dakota we have practically had no cars for shipment during the last 60 days. The shipments have been so light that practically, I should say, 75 per cent of the live stock that was ready for market on the 1st day of January is still in the feed yards.

The CHAIRMAN. How much?

Mr. SYKES. I think about 75 per cent; that is, just roughly estimating. The transportation system—

The CHAIRMAN. I did not quite catch that point.

Senator SHEPPARD. Repeat that last statement.

Mr. SYKES. I say, that roughly estimated, that about 75 per cent of the fat stock is still in the feed yards, unable to be marketed on account of the transportation service. Possibly that would be a little high. I have no figures on the percentages. But there are hundreds and thousands of cars ordered in Iowa that have been ordered for 60 days—I have proof of this—that have not been received, and that the stock is still being held for shipment. I have a mass of letters here from men over the State, in different sections, who give the situation as it exists in their locality. For instance, in one locality, in a radius

of, we will say, possibly 50 or 60 miles square territory, there are 800 to 900 cars for live stock that have not been furnished.

Senator SMITH of South Carolina. How many cars?

Mr. SYKES. Eight hundred to 900 cars that have not been furnished. I am informed that on the Rock Island road there are 500 cars ordered within a distance of 150 miles east of Council Bluffs, running east from that city, where there are 500 cars waiting shipment.

Senator KENYON. That is, for stock?

Mr. SYKES. Yes, sir.

Senator KENYON. Hogs and cattle.

Mr. SYKES. Hogs and cattle.

Senator SMITH of South Carolina. Mr. Sykes, what effect on the price of the meat will that delay in shipment have? I understood you to say it is now behind some 60 days?

Mr. SYKES. Behind 60 days; yes, sir.

Senator SMITH of South Carolina. If those who have this stock for sale were to be remunerated—be paid for the expense incurred in keeping their stock that length of time—and they could get what they are rightfully entitled to, what effect would that have upon the price of meat?

Mr. SYKES. It would advance the price of live stock on the hoof about \$2 a hundred. Of course, you can figure out your own percentages on the dressed product. I am a farmer and feeder. I can speak in terms of the farmer and feeder, but I can not speak in the terms of the packer.

Right here, also, gentlemen, is another situation: We are going to lose anywhere from \$1 to \$2 a hundred on these cattle and sheep.

Senator SMITH of South Carolina. That is the point I wanted to get. It was this: You have no way of fixing the price to meet the additional expense?

Mr. SYKES. No, sir.

Senator SMITH of South Carolina. Therefore it is a loss to you?

Mr. SYKES. Absolutely a loss to us. It is not only a loss in dollars and cents, gentlemen, but it is an economic loss in the waste of feed that is fed into these animals. At least 50 per cent of that feed is absolutely wasted. After an animal becomes so fat, the percentage of increase diminishes very rapidly, and you are just wasting your feed. After an animal arrives at such a point of finish, then all of the increased material that you put into that animal in the way of feeds, or a very large percentage of it, is purely wasted.

The CHAIRMAN. That feed should go to finish the immature stuff.

Mr. SYKES. To finish the immature stuff; yes, sir. These animals should be marketed at the time they are ripe and finished, and every bushel of corn that is fed into them after that we are at least wasting 50 per cent.

Senator PAGE. And this shortage of cars will result in a large increase of cost to the ultimate consumer because of the lack of cattle at the stock yards at Chicago?

Mr. SYKES. No, sir; I would not say that. If we had the power to increase the price in proportion to producing this stuff, and should do that, then it would. But I am inclined to think this, that instead of the price going higher it will go lower. When they market this, if the roads cut loose, if the transportation facilities open up,

and we are permitted to secure cars to ship this stuff on to the Chicago market, the result will be then that the packer will take advantage of the increased receipts and put the market down, but he will not put it down to the consumer on dressed product.

Senator KENYON. That has been the customary way of meeting the situation?

Mr. SYKES. That has been the customary way of meeting the situation.

Senator PAGE. Have we not been given to understand that the packers are putting up the price of beef because of the shortage of receipts? Have they not been advancing the price the last two months, and has not that been the reason given by the packers?

Mr. SYKES. I think that is true, Senator, because you understand the shortage of receipts at Chicago has been brought about because we could not market our stuff, not because it was not ready and in the country and in the feed yard, but because we could not get transportation facilities to bring it to the market.

The CHAIRMAN. And your immediate situation is due to the car famine?

Mr. SYKES. It is due to the car famine; that is, the breaking down of the transportation system.

The CHAIRMAN. Putting the prices up during the time the farmers and feeders can not get their stuff to the market, and when the boom does break he will have to cover his own losses, or, at least, furnish excuses for the packers putting the price down?

Mr. SYKES. I would not be surprised to see these cattle go down on the market a dollar on the hundred when the receipts begin to flow in, if the transportation facilities open up. Now, then, what is that going to do to the feeder? It is just simply going to break him; that is what it is going to do, gentlemen. The feeder at the present time is marketing this stuff at a loss ranging from \$15 to \$25 a head on his cattle, and about \$5 on his sheep.

Senator KENYON. The man who sells the fatted steer now is losing what?

Mr. SYKES. From \$15 to \$25 a head, according to the time he has fed the animal—all depending, as I have already stated, on the length of time; the longer you feed the animal the more expensive the gain becomes, and the more you are losing, and, of course, that would be one factor. The other factor would be the cost of the animal when you put him in the yards.

Some, of course, are higher grade of animals and they cost more than the cheaper grades. Right here I want to say to you men that the cheaper class of beef to-day is coming nearer to paying out than the better class, which we are feeding in the corn belt. Of course, we feed the high-class meat in the corn belt—that is, in Iowa, Illinois, and the corn-belt States—and the cheapest class of beef is coming much nearer to paying out to the feeders than the higher grades.

What is going to be the result of that situation? The result is simply going to be this, gentlemen, that these men are not going to be burned the second time. They are not going to, in other words, pour into a hole a life's earning in their business—what they have accumulated in years. They are not going to do that, and they are simply going to go out of the business if the conditions can not be changed; that is all we can do.

Senator KENYON. Do you refer merely to this railroad condition now, or to the general condition?

Mr. SYKES. To the general condition; that is, the railroad condition and the market condition.

Senator KENYON. Is the railroad transportation the principal part right now, do you think?

Mr. SYKES. The railroad transportation and the market conditions.

Senator KENYON. The general situation of the live-stock business is prosperous now, under present conditions, or is there discouragement in it, and if so, due to what?

Mr. SYKES. The live-stock situation was never in as serious condition as it is at the present time, Senator, and the live-stock men never were as much discouraged.

Senator KENYON. Is that due entirely to this transportation question—that is what I want to get at; that is only incidental?

Mr. SYKES. No, sir; there are two factors entering into that: One is the railroad transportation question; the other is the price they are receiving for their raw material, as we call the animals when they are marketed.

Senator GRONNA. It is because of the market system, is it not, Mr. Sykes?

Mr. SYKES. Yes, sir; because of the market system. We should be receiving, as I have already stated, at least \$2 per hundred live weight more for these cattle at the present time, if they were even paying out, than we are receiving now.

The CHAIRMAN. What are you getting, Mr. Sykes?

Mr. SYKES. I should say, just to strike an average, about \$12.

Senator NORRIS. You mean it costs the producer of this animal about \$14?

Mr. SYKES. It costs him about \$14 under existing conditions.

Senator PAGE. That is, on the hoof?

Mr. SYKES. That is, on the hoof. I am speaking now entirely of cattle on the hoof.

Senator RANSDELL. Is that \$12 on the farm or in the market?

Mr. SYKES. In the market.

Senator RANSDELL. What market?

Mr. SYKES. Chicago is our market. Of course we do not figure on any other market. Chicago makes the market for the world; that is, for the United States.

Senator GRONNA. When you say the price is \$12 you have reference to grain-fed stock altogether?

Mr. SYKES. Certainly. I am only talking about grain-fed stock; understand that, gentlemen. I am not talking about any other class of stock.

The CHAIRMAN. What would it average at the farm? That is what I want to get at.

Mr. SYKES. It costs about 75 cents a hundred, Senator, now to ship this stuff to Chicago to market.

The CHAIRMAN. About \$11.25 a hundred?

Mr. SYKES. Yes, sir; about \$11.25 a hundred at the farm.

The CHAIRMAN. So far the trouble you have indicated and the problems you have raised relate to transportation and to marketing facilities or conditions. Is it your idea that if those two situations

were mended that then automatically the production would adjust itself on the farm?

Mr. SYKES. Yes, sir; I think it would, Senator. The situation is here, gentlemen: Of course you understand that the price of hogs has been attempted to be regulated by the Food Administration; that is, they have attempted to fix a minimum on these hogs. While that is true and hogs have not gone below that minimum yet, at the same time these hogs are not making the farmers any money when you figure on the basis of what it costs to produce them.

Senator SMITH of South Carolina. About what was that minimum, Mr. Sykes?

Mr. SYKES. \$15.50 for packers' droves of hogs. You know they buy hogs at different prices. They throw them all into a lump, and then they strike the point that drove gives. That is the way we arrive at the cost of what is known as "packers' droves."

The CHAIRMAN. Is that remunerative to the man who raises the hogs?

Mr. SYKES. It is remunerative in a sense. If you do not figure your corn at \$1.50 a bushel, it would be remunerative.

The CHAIRMAN. What would the price of corn have to be for \$1.50 on hogs to be remunerative?

Mr. SYKES. \$1 a bushel.

The CHAIRMAN. You do not know of any \$1 a bushel corn to-day, do you?

Mr. SYKES. No, sir.

The CHAIRMAN. I see the morning quotations in yesterday's paper cash corn was \$1.50 to \$1.82.

Mr. SYKES. That is what it is.

Senator SMITH of South Carolina. Mr. Sykes, do you mean, then, that with corn at \$1.50 a bushel and hogs at \$15.50 minimum it would not guarantee a profit to the hog raiser?

Mr. SYKES. That is just what I mean.

The CHAIRMAN. Mr. Sykes, there is a pretty definite ratio between the price of corn and the price of hogs fed on that corn?

Mr. SYKES. Yes, sir.

The CHAIRMAN. I wish you would state that price.

Mr. SYKES. About 12 to 1—about 12 bushels of corn to 100 pounds of pork.

The CHAIRMAN. The farmer gets about twelve or thirteen times what is the value of a bushel of corn?

Mr. SYKES. Understand what I am giving you there is actual figures. The Food Administration has established a ratio on the 1918 hog crop of 13 to 1; in other words, they have said that the farmers should produce these hogs this year and market them on a ratio of price of 13 bushels of corn for 100 pounds of pork.

Senator SMITH of South Carolina. Let us get the definition here. You say 100 pounds of pork. You mean that pork ready for the market and not on the hoof?

Mr. SYKES. That is what I mean, on the hoof; that is, live weight. I am talking only of the farmers, of live weight; bear that in mind.

Senator SHEPPARD. You mean the final market or on the hoof before it leaves the farm?

Mr. SYKES. On the market at Chicago.

Senator SMITH of South Carolina. Mr. Sykes, I want to ask you one question right in that connection.

Mr. SYKES. Yes, sir.

Senator SMITH of South Carolina. What is the relation of the dressed pork, the marketable pork, to the animal on the hoof? What is the loss? What is the offal, as they call it, from on the hoof to the dressed animal?

Mr. SYKES. Twenty to 25 per cent, I believe; that is my understanding.

Senator RANDELL. Does not that vary according to the weight of the animal?

Mr. SYKES. Oh, yes; to some extent; not so much so as in beef.

Senator PAGE. Does that count all the offal?

Mr. SYKES. Yes, sir; that counts out all of the offal, and no allowance is made, of course, for the by-products; that is, the tankage.

Senator PAGE. In other words, you get 75 per cent of actual meat, pork?

Mr. SYKES. That is my understanding. Of course, as I told you, gentlemen, I am not a packer.

The CHAIRMAN. But there is no waste even of the 25 per cent?

Mr. SYKES. No, sir; that goes into these side lines. The question is, How are we going to remedy this situation?

Senator KENYON. Before you come to your remedy, what is the practical result that is coming out of this situation? Are the farmers going out of the stock business? Are farmers going out of the hog business?

Mr. SYKES. Well, there is only one thing, gentlemen, that will at all keep the farmers in the hog business, and that is patriotism—only that one thing—with a view to supporting the Government and helping our allies in fighting the enemy to win this war. That is the only thing, and, so far as I have been able to learn in reference to the hog situation, there are possibly about an average number of sows bred for farrowing this year—that is, for the spring farrowing. I have made investigations quite extensively, and have made inquiries over our State and others, and I find, as near as I can estimate, that there is an average number of sows bred for spring farrowing. Of course, that could be increased—that is, the supply could be increased by fall breeding or summer breeding and fall farrowing. Now, just what the farmers are going to do in that respect it is too early to say.

The CHAIRMAN. Has there been a good deal of breeding stock sold?

Mr. SYKES. Yes, sir; thousands and thousands of heads of hogs and cattle, both—breeding stock and brood sows.

The CHAIRMAN. I saw in the paper somewhere that sows almost ready to litter were being sent to the market.

Mr. SYKES. That is true, Senator.

Senator KENYON. What about milch cows—are they being sold?

Mr. SYKES. Oh, yes, sir.

Senator NORRIS. I see in that respect the report of different inspectors and different packing plants, and they claim that the piggy sows that were coming into the markets now were practically about the usual number, about the average that has come in in former years,

and this idea that there was a very much larger number than usual is not correct.

Mr. SYKES. From my own observation, I would say that that was correct, Senator, at the present time—that is, during the winter. Last fall there was a much larger percentage of these sows sent to market than usual. As the result of that situation we are now breeding all over the corn belt a much larger per cent of gilts than we had previous to this situation. The old mothers were marketed last fall on account of the unsettled conditions. Nobody knew what they were going to get for them in the future. The administration was slow in giving out any advice or order in regard to what these hogs would probably bring in the future, and, as a result of that situation, the farmers just simply marketed those sows when they were selling around 17 cents last fall.

Senator NORRIS. Speaking of the gilts, instead of the old sows being bred, that would result in quite a decrease?

Mr. SYKES. Yes, sir; quite a decrease; that is just what I refer to.

The CHAIRMAN. How would the loss average between gilts and old sows?

Mr. SYKES. I have not the statistics on that, but I should say it would be about two to the litter difference on the average.

The CHAIRMAN. You referred a minute ago to selling a great many brood sows at the price of 17 cents a pound. I saw in the papers that the announcement, I think, on the part of the Food Administration that the price would be \$15.50 resulted in the shipment of a great many immature hogs to the market. I think I saw that in some Iowa farm paper. I think probably the statement that caused that result was erroneous, but the result followed nevertheless. Do you know anything about that, Mr. Sykes?

Mr. SYKES. No, sir; I do not know anything about that, Senator. I do not think it is correct. The facts are—and I know this is correct—that the most of those sows were marketed before this order was issued. The Food Administration was too slow. We brought all the pressure to bear on the Food Administration we possibly could, and I am not here criticizing the Food Administration. Do not understand that I am doing that, gentlemen; that is not my attitude at all. But we brought all the pressure we could on them to issue this order early in the fall, so that the farmers would know what they would receive for these hogs later on, and it would be an inducement to them to either retain them at home and not sell them or to make them heavier; but on account of the slowness of the Food Administration to act and to satisfy the demands of the farmers, who were inquiring, "What are we going to get for these hogs?" and, afraid of the situation, they simply rushed these hogs half finished to the market—that is what they did—during the months of September and October.

Senator SMITH of South Carolina. Mr. Sykes, do you know whether or not the breeders, the men who actually raise the hogs, were consulted by those in authority before the order was issued fixing that price?

Mr. SYKES. Yes, sir; I know that was a fact, Senator. In the city of Waterloo there was a meeting called where the representative breeders of Iowa, Indiana, Illinois, Missouri, and Nebraska

were present, and I myself and Mr. Henry Wallace, of the Wallace Farmer, was also there.

The CHAIRMAN: I would like to say that it was in Wallace's Farmer that I saw the statement that the price of \$15.50 had resulted in the rushing of a great many immature gilts to market.

Mr. SYKES. What we tried to prevail on the Food Administration to do at that time—and that was early in the fall—was to place a minimum price of about \$17 on these heavy gilts. We wanted that designated "heavy hogs"—that would mean from 300 pounds up—in order to keep these gilts back on the farm.

Senator KENYON. Are many farmers or stockmen connected with the Food Administration?

Mr. SYKES. Not to my knowledge, Senator.

Senator KENYON. Who has charge of the meat section?

Mr. SYKES. Joseph P. Cotton.

Senator KENYON. Is he a farmer?

Mr. SYKES. No, sir; he is a New York lawyer, as I am informed. I never knew Mr. Cotton until he became chief of the meat division of the Food Administration.

Senator KENYON. Are there no stockmen at all or farmers connected with this Food Administration in any capacity?

Mr. SYKES. Not to my knowledge.

Senator KENYON. Are there any farmers on these advisory councils?

Mr. SYKES. Not on the advisory council. I have failed to meet any of them if there is. We have tried in every way to get some practical farmers and stockmen connected up with these departments, so that they could at least have the advice and the experience of these practical men, but I am sorry to say that we have not succeeded.

Senator KENYON. Are we not making a mistake in building this great structure that we are building without sufficient regard to the foundation, which must be agriculture?

Mr. SYKES. I think we are making a serious mistake, Senator, and, gentlemen, I am sorry to say that the confidence of the farmers that the Government—I will put it this way—is losing the confidence of the farmers in that respect. What I mean by that is that the farmers of this great American Republic feel that they ought to have some voice in at least arranging their own business and saying how it shall be conducted and how these markets shall be fixed, and all of these transportation questions and all of these big questions that enter into the production end of our business.

Senator PAGE. Right there. You say that the farmer asked \$17, to be the fixed price on heavy hogs. What price was fixed?

Mr. SYKES. Fifteen dollars and fifty cents; that is, for packers' droves. Of course, there was no price on heavy hogs at all; it was left simply that.

Senator GRONNA. If the Government had undertaken to regulate the price of everything the farmer must buy, do you not think that would be more satisfactory to the farmer?

Mr. SYKES. If the Government is going to regulate prices at all, gentlemen, it must regulate all prices or it must not regulate any prices, and it must regulate these prices with a view to the cost of

production—one or the other. That is, there must be a symmetrical regulation and uniform regulation. You must not jump in on wheat; you must not jump in on flour, and jump in here and jump in there, and leave other things unregulated.

Senator GRONNA. I think it is only fair to you gentlemen who are here, who come from a great distance, to have the information that the Agricultural Committee of the Senate put such provisions in the Agricultural bill, and that Mr. Hoover—I do not mean to criticize Mr. Hoover, but he must stand upon his own record—said to this committee there was no necessity of regulating these other things, manufactured goods, because there was competition in that—I think I am quoting him correctly in making that statement—and his recommendation to this committee and to the Congress that we should regulate only food, feed, and fuel.

Mr. SYKES. Well, the facts are, gentlemen, you know—possibly you mean food, Senator?

Senator GRONNA. Yes; I mean food, feed, and fuel.

Mr. SYKES. You know—if you do not, you ought or should know—that feed—what we call “feed,” that we feed into these animals—is not regulated at all; that there is no regulation on meal and oil meal or anything of that kind.

The CHAIRMAN. Is not the price of wheat regulated or fixed at \$2.20?

Mr. SYKES. Yes, sir.

The CHAIRMAN. From No. 1 Northern, I believe, at Chicago. Do you mean that the bran and other stuffs that come out of the wheat are not regulated?

Mr. SYKES. I am not prepared to answer that question. I do not know whether there is any regulation on the by-products of wheat or not. Of course, it would not cut any figure if there were, so far as that is concerned, because they are of such a character as to be perfectly infinitesimal.

The CHAIRMAN. I thought probably you might be advised.

Mr. SYKES. I think possibly you are correct. I am inclined to think you are.

Senator KENYON. What effect has the fixing of the price on wheat had to do with the fixing of the price on corn, do you think?

Mr. SYKES. Of course, as to that question, Senator, I do not know that I am prepared to answer. In my own judgment, I would say that it has tended to increase the price of corn; that is my judgment about it.

Senator PAGE. Mr. Sykes, would you advise that in price fixing that it extend to boots, shoes, hats and caps, and clothing generally?

Mr. SYKES. If we are going to have price fixing at all, gentlemen, I can not understand how you are going to carry it out to protect everybody unless you make it general.

Senator KENYON. Do I understand that you are in favor of price fixing?

Mr. SYKES. No, sir; I am not arguing in favor of price fixing.

The CHAIRMAN. The vital point about price fixing is the ratio between the cost of production and the final market price; it is purely a relative matter, is it not?

Mr. SYKES. Purely.

The CHAIRMAN. You would just as soon sell beef at 10 cents as at 15, or hogs at 12 as 20, if the ratio between the final price and the cost of production was the same?

Mr. SYKES. Was the same; yes, sir; that is the point I have tried to make clear, that you must name that ratio.

The CHAIRMAN. One other point. You say that patriotism is the only resource to guarantee the production of hogs. Do you not think that the assurance of a reasonable profit would be a pretty good guarantee of the production of hogs?

Mr. SYKES. I said under existing circumstances, Senator, I think it would be of greatest incentive if there was a feeling on the part of farmers that there was going to be real profit in this thing. It would be the greatest incentive to increase the output.

Senator SMITH of South Carolina. In other words, you would like to have some "pay in patriotism"?

Mr. SYKES. Yes, sir.

The CHAIRMAN. Is not that a permanent factor and ought we not bring the permanent factors into line with the object we are seeking to accomplish in this situation?

Mr. SYKES. Certainly.

The CHAIRMAN. I feel pretty strongly on this. The people say the farmers ought to be willing to produce for patriotism.

Mr. SYKES. Yes.

The CHAIRMAN. I do not think the farmer can continue to produce for patriotism or any other motive at a financial loss. He can not do it any more than he can continue to live without breathing.

Mr. SYKES. That is true; you never said anything truer than that.

Senator THOMPSON. You said you had made some endeavor to get a representative farmer on these boards. I would like you to state to whom you applied for recognition of that kind.

Mr. SYKES. I might say that we have applied to everybody that had any authority.

Senator THOMPSON. Has the matter ever been presented to the President in any way?

Mr. SYKES. I do not think in any concrete way.

Senator THOMPSON. Or to the Secretary of Agriculture?

Mr. SYKES. Yes, sir; I think so. That is my understanding. It has been presented to the farm organization; of course, it has not to the Corn Belt Meat Producers' Association directly.

Senator THOMPSON. Of course, the farmers have been recognized in various States in different committees and things of that character, have they not?

Mr. SYKES. Yes, sir.

Senator PAGE. Have you been led to hope that these transportation conditions might be better in the near future?

Mr. SYKES. Yes, sir; I have taken that question up with everybody here in authority—that is, the heads of these different departments working under the Director General here—and they are giving me encouragement. I sent out some telegrams to western Iowa to practical stockmen to find out whether the situation was being relieved or not, and expect to hear from those to-day.

The CHAIRMAN. You say you sent out telegrams?

Mr. SYKES. Yes, sir.

The CHAIRMAN. Of course, we do not want any confidential information, but what was the import of those telegrams?

Mr. SYKES. Whether the traffic condition was improving, Senator. Just simply sent telegrams to big stockmen out in different sections of the State, asking whether the traffic conditions were improving and whether they are able to get cars any more easily than they did before. So that I might know just what the condition was, whether it was improving or not.

Senator PAGE. Do you understand that the situation in regard to beef is the situation in regard to other commodities, if you know?

Mr. SYKES. In the movement?

Senator PAGE. I mean in regard to general commerce. I have to-day a car of hides which I want to ship to Wilmington, Del. I can not ship them; there is an embargo on them.

Mr. SYKES. That condition applies to corn and everything.

Mr. PAGE. You are not the only ones who are suffering.

Mr. SYKES. No, Senator; I understand that condition prevails all over.

The CHAIRMAN. There is this difference, that the hides do not eat anything and the cattle do. You are losing the interest on your money, Senator, while the cattle do eat.

Senator PAGE. But the man who is tanning the leather needs the hides, and if he can not get them his men will have to stop work. There is disaster along the whole line. I did not know that it is any worse in regard to stock than in regard to other commodities.

The CHAIRMAN. I think it would be some worse, but the situation is critical in either case where you can not get the raw material.

Senator GRONNA. May I ask you just one question before you proceed again? In what condition would the farmers have been, or what would have been the general condition in reference to production, providing Congress had not taken any action and placed any limitation upon the price of farmers' product? Do you think the condition would have been better in reference to production than it is now—I am speaking now both of grain as well as other products?

Mr. SYKES. Of course, that is pretty serious, and largely problematical, I would think. The breaking down of this transportation system has been one of the great factors in bringing about this situation. There is no question about that. If the Government had not fixed any prices, of course, possibly there would not have been much difference along that line. I do not believe hogs would have been any higher if the Government had not fixed any prices than they are; I do not think cattle would have been any higher if the Government had not fixed prices than they are at present. The facts are that the packers have attempted to take advantage of the situation, apparently, at the same time claiming there was no money in it to them to pay any more; in other words, they could not afford to pay any more for this raw material than they were paying.

The CHAIRMAN. The packers have no representative in this Food Administration, have they?

Mr. SYKES. No, sir; I do not think so, so far as I know.

Senator KENYON. Have they on any of the councils of the Food Administration, do you know?

Mr. SYKES. I am not posted on that, Senator, I could not say.

Senator THOMPSON. Will you state what place you were anxious to hold in connection with this food program?

Mr. SYKES. Of course—

Senator THOMPSON (interposing). You presented some names for consideration?

Mr. SYKES. We felt that there should be one stock man who was thoroughly familiar with transportation questions and the production of live stock and all those questions that enter into the live-stock business on the director general's advisory board. We brought all the pressure to bear that we could to secure him.

Senator THOMPSON. The Director General of Railroads?

Mr. SYKES. Yes, sir; on that board, because we felt it was absolutely necessary that these men should know the situation affecting the transportation of this live stock.

Senator THOMPSON. Was the matter presented to Mr. McAdoo, do you know?

Mr. SYKES. Yes, sir; telegrams and letters and personal solicitations.

Senator THOMPSON. Was there any other board where your practical farmers have not received consideration?

Mr. SYKES. I am not aware of any other board.

Senator THOMPSON. This board is a very recent creation.

Mr. SYKES. The feeling was there should be one such man on the Food Administration who had some power.

Senator GRONNA. We know one thing, if you will pardon me, that there was no farmer representing the farmers put on the Grain Board. We know that the very men who have been buying our grain and who have been accused of robbing us in the past were the very men who were recognized on that board.

Senator NORRIS. Recognized on the Grain Board?

Senator GRONNA. Yes.

Senator THOMPSON. Do you know the name of the farmer who was willing to accept a place on it?

Senator NORRIS (interposing). You do not know of anybody objecting to being placed upon it, do you?

Mr. SYKES. I take it for granted, gentlemen, that the men in authority are perfectly familiar with prominent farmers and agriculturists over these United States, and if they want to find such a man as that they certainly would make some investigations. Consider what Mr. McAdoo did—of course, I am not criticizing the Director General—but practically every man in authority on his board—that is, in the operation of the railroads and all these things—was taken out of the railroad systems of this country.

The CHAIRMAN. Is there anybody representing shippers' organizations that you know of?

Mr. SYKES. On Mr. McAdoo's board?

The CHAIRMAN. Yes.

Mr. SYKES. No, sir; not so far as I know, Senator. That is what I was saying—that the live-stock organizations of this country brought all the pressure to bear that we could to secure a representative on that advisory board.

The CHAIRMAN. You approve, and I assume everybody else would approve, Mr. McAdoo's acts in selecting practical men to assist him in running the great railway systems?

Mr. SYKES. Yes, sir; I would.

The CHAIRMAN. You would assume, also, that some one undertaking to serve and promote the agricultural interests and production, some farmer, might be invited to serve?

Mr. SYKES. We reasoned from that standpoint, and that it would help the production end of it; it would stimulate confidence in the minds of the fellows who have to produce this stuff if they could feel that they had representative men on those boards and understood all these conditions that enter into production, either of live stock or grain; they would feel that they were at least represented there and recognized.

The CHAIRMAN. Who is at the head of the grain division of Mr. Hoover's establishment?

Mr. SYKES. I can not answer that.

Senator GRONNA. May I answer that question, Mr. Chairman?

The CHAIRMAN. I thought Mr. Sykes might know. I could have answered it, but I wanted it in the record.

Senator GRONNA. I can answer that, and it will also answer the question of the Senator from Kansas. I am sorry that the Senator from Kansas did not have the opportunity to hear what I had to say when this bill was before the Senate. A gentleman from the West, a good, loyal, patriotic citizen, Mr. Julius Barnes, was placed at the head of that board, and I paid my tribute to him. His brother-in-law, Frank L. Cary, was the next man. Those were the men who were selected: Representatives of the great exchanges of the western country and against tremendous protest and ill feeling by the farmers of the Northwest. There can be no question about that.

The CHAIRMAN. The chamber of commerce which Senator Gronna speaks of is the grain exchange?

Senator GRONNA. That is the grain exchange.

The CHAIRMAN. You see, its name would not be indicative of its nature.

Senator NORRIS. He was a dealer in grain?

Senator GRONNA. Yes, sir; he was. He was the heaviest exporter in the United States, but he resigned before he was appointed. I understand. I want to do Mr. Barnes justice. There was a feeling that Mr. Barnes should not represent the farmers.

Senator THOMPSON. Do you know the name of any farmer that was presented for that place? I am interested about that.

Senator GRONNA. I am, too, but I do not think there was any possibility of a farmer making an application after the men were appointed.

Senator THOMPSON. But before he was appointed?

Senator NORRIS. Men did not make application for those places.

Senator KENYON. You are not here to criticize the administration of the Food Department?

Mr. SYKES. No, sir.

Senator KENYON. But you are here on this stated question of stimulating production?

Mr. SYKES. Yes, sir.

The CHAIRMAN. I would like to interject there, Senator Kenyon, that I feel sure Mr. Sykes and everybody else present, as auditors or witnesses, have no preconceived motive either to criticize or to vindicate the Food Administration or any other department of the Gov-

ernment. I hope our sole object is to arrive at the facts, and I should regard unenlightened criticism quite as objectionable as any effort to shield them where just criticism is merited; and I hope this investigation will proceed along those lines. If we are here to employ camouflage on the one side or unjust criticism on the other side, we had better adjourn.

Senator KENYON. If that is directed at my remark, I do not think it is called for. I am asking Mr. Sykes here his opinion and tell the whole story, but I do not want him to discredit where it is not deserved.

The CHAIRMAN. I understand that, Senator.

Senator KENYON. If the facts attack anybody, all right.

The CHAIRMAN. The remark seemed to indicate that he was not here to criticize the Food Administration. I appreciate that is entirely the spirit; on the other hand, if there is any effort to protect them when necessary suggestions are forthcoming I think it would be equally subject to question.

Mr. SYKES. That is what I am here for, to try to help.

Senator KENYON. Mr. Sykes, you believe, do you not, that we are headed toward a tremendous shortage in meat production?

Mr. SYKES. Absolutely. I have some figures that I want to give you right in this connection, that is, on the cattle situation. In 1916 there were 17,000,000 head of cattle shipped from the different markets of this country, in round numbers; in 1917 there were 22,000,000 cattle which went through those same markets, making an increase of practically 5,000,000 head of live stock over 1916. The increased number of immature animals slaughtered in that way was about 3,000,000.

Senator KENYON. You mean slaughtered that year over the amount the year before?

Mr. SYKES. Yes, sir.

Senator KENYON. What do you mean by "immature animals?"

Mr. SYKES. Small steers that ought to have been grown out and kept, and animals of that kind—breeding stock and she stuff—that class of stuff was over 3,000,000 head increase during that year. What does that mean, gentlemen? You can work that out yourself. You can see what it means. There was no such an increase in the production as that by no means. It simply means that there were 3,000,000 head of cattle marketed that year that should have remained on the farms and the ranches of this country, and should have been marketed a year or two years later, matured; that is what it means.

The CHAIRMAN. Was that due to the high price of feed or the high prices offered in the market for that stock?

Mr. SYKES. Both. The drought was a great and material factor in the Southwest and in the Northwest.

The CHAIRMAN. Of course, that is a factor we could not deal with?

Mr. SYKES. No, sir. I am mentioning that to show you what we are tending toward; to show you what the situation is that we are confronted with at this time.

Senator KENYON. Do you know the situation in England and France?

Mr. SYKES. I know what it is reported. Mr. Hoover told us the other day that it is growing worse over there daily; that there is a tremendous shortage. Mr. Cotton told us that he had cleared the refrigerators of chilled beef in this country to supply the allies, to make room for these cattle that are now in the yards.

Senator KENYON. This question becomes a very serious one, not only to our people, but to the allies. The allies are taking every bit of pork that we can spare. There are orders ahead, Mr. Cotton tells us, continually for pork to be shipped to the allies, and we can not supply those orders.

Senator NORRIS. Mr. Sykes, I will ask you a question, which you can answer now or refer to before you close: Earlier in your statement you said that there was more profit to the farmer on the inferior stuff that he produces—I am speaking of cattle.

Mr. SYKES. Yes, sir.

Senator NORRIS. Than there was on the high-class stock?

Mr. SYKES. Yes, sir.

Senator NORRIS. You did not explain why that was; I wish you would tell the committee your ideas as to the causes for that.

Mr. SYKES. There are two reasons for that, gentlemen: In the first place, this common stuff, we call it, does not cost nearly as much. We buy it much more cheaper. In the second place, it is not fed nearly as long. That stuff is bought and fed out on what the cattle feeder calls a "short feed"—about 60 days' feeding.

Senator NORRIS. Would not both of those differences be equalized the difference of price and quality? It is not as good?

Mr. SYKES. No, sir; when you come to sell it the packer does not make discrimination against the cheaper grade of beef.

Senator NORRIS. Why does he not? I should think that is just what would occur; there would be discrimination between the high-class product and the inferior class?

Mr. SYKES. Under existing conditions the packer says he has not got an outlet for the finely finished beef.

Senator NORRIS. That is the point I wanted to reach. Why has not the packer got an outlet for the finely finished beef?

Mr. SYKES. Of course, I mean a packer.

Senator KENYON. That is what the packer says.

Senator NORRIS. I think there is something in that. I want to ask you and see if your ideas correspond with what I think possibly might be the fact. Is it not true that our allies in buying beef buy a large amount from the Argentine country, and they want the same kind from us, so as not to have two classes, and they buy the inferior class and that makes a demand for it, and that, on the other hand, the restrictions of the consumption here in this country does not affect the poorer class?

Mr. SYKES. Yes, sir; there is no question about it, Senator. The class of beef Mr. Cotton is buying for the allies and for our home Government is not the common but the medium, everybody tell us. He has been buying stuff as low as 17 to 18½ cents dressed for the allies and this Government, and that is the reason there is such a demand on that class of live stock, while the demand on the heavy cattle and the well-finished cattle, such as we feed out in the corn belt, is practically nominal; it is materially reduced.

Senator GRONNA. What do you mean by "inferior quality in beef"? I think you and I have the same understanding. I feed cattle also to a limited extent. I suppose what you mean is that they are not finished for the market; they are not as fat as those that are finished?

Mr. SYKES. That is what I mean; they are inferior in quality and finish.

Senator GRONNA. I just want to say for the record here that I shipped 250 head of cattle last fall, sold them in Chicago. They were Canadian cattle, of very high grade, but they were young and light in weight and immature. The price received was less than 9 cents average.

Senator RANDELL. In Chicago?

Senator GRONNA. Yes.

The CHAIRMAN. What do you get for the inferior stuff on the farm?

Mr. SYKES. I should say 8 or 9 cents.

The CHAIRMAN. And the medium stuff—what do you get for that?

Mr. SYKES. About 10½ to 11.

The CHAIRMAN. And the heavy stuff?

Mr. SYKES. The heavy stuff would be worth about 12 cents on the farm.

The CHAIRMAN. Mr. Sykes, you stated the situation. You started to address yourself to remedies a few minutes ago. So far as the car situation is concerned, we are undertaking to deal with that by legislation now pending in the Senate. With respect to market conditions and the manipulation of the market, if there is such, what do you have to say on that point? I would be glad to hear from you as to the remedies.

Perhaps I should say this, Mr. Sykes: If it would take some time for you to discuss the remedies, we can do that when we meet again in the morning. Mr. Heard is here from Arizona and he has to leave to-night, and I would be glad to have him make his statement before he leaves.

Senator KENYON. Mr. Sykes can be here another time?

Mr. SYKES. Yes, sir; I can.

Senator KENYON. And also make a note of the labor situation with regard to preparing yourself when you come before the committee again.

The CHAIRMAN. Mr. Sykes, will it suit you just as well to have Mr. Heard make his statement now?

Mr. SYKES. It would. He represents the same industry, but from a different viewpoint.

STATEMENT OF MR. DWIGHT B. HEARD, PHOENIX, ARIZ.

The CHAIRMAN. Kindly state your full name, post-office address, and business to the stenographer and to the committee.

Mr. HEARD. My business is in the live-stock lands and investments.

The CHAIRMAN. Is that live-stock generally cattle and sheep?

Mr. HEARD. Cattle almost entirely, Senator.

The CHAIRMAN. Have you been connected with any live-stock association?

Mr. HEARD. For several years I was president of the American National Live Stock Association.

The CHAIRMAN. Just what is that association?

Mr. HEARD. That is an association that is composed of practically all the State associations and a great many individual members in the live-stock business.

The CHAIRMAN. And that includes cattle and sheep and hogs?

Mr. HEARD. While we call it the National Live Stock Association, it is principally a cattle association, although we have a great many members who are in the sheep and hog business.

The CHAIRMAN. Mr. Heard, proceed in your own way.

Senator RANDELL. I want to know if you are a cattle raiser yourself?

Mr. HEARD. Not on the range, but on alfalfa pasturage.

Senator RANDELL. You have cattle yourself?

Mr. HEARD. Yes, sir.

Senator RANDELL. You are not simply a dealer, but you breed and raise cattle?

Mr. HEARD. We have at the present time about 1,000 head on our pastures, and we usually feed from 600 to 1,200 steers a year, and I also breed white-faced and Durham cattle, registered and grades, and white-face.

Senator RANDELL. You could be classed as a farmer?

Mr. HEARD. I hope so, although I have other business as well. I think I am more than a agriculturalist, however.

The CHAIRMAN. Make your statement in your own way, and then the Senators will ask you questions.

Mr. HEARD. I think, Mr. Chairman, and gentlemen, that to save time and present briefly the situation, the best thing for me to do first is to give you a statement which a number of us, as stockmen, presented to President Wilson at a special conference we had with him. It is as follows:

WASHINGTON, D. C., February 13, 1918.

The PRESIDENT,
The White House.

DEAR MR. PRESIDENT: In presenting these constructive resolutions on behalf of the American National Live Stock Association, we wish to first assure you of the whole-hearted support of the live stock producers in your efforts to win the war.

We recognize that it is the clear duty of the live-stock producers of this Nation to give their full share of loyal service in supplying the rapidly increasing needs of our allies for meat products as well as the needs of our Army and Navy and the demands of our own civilian population. You will appreciate that, however patriotic the live-stock producer may be, he can not continue in his industry unless he receives fair prices. He can not continue his business at a loss. He does not desire abnormal war profits, but willingly accepts your recent definition of a fair price.

The present conditions confronting the live-stock industry, particularly those engaged in producing beef and mutton, are most unsatisfactory. There has been an abnormal increase in the price of the primary feeds for live stock, without a proportionate increase in the price of the finished animals, the prices of the former being determined by the law of supply and demand, while the price of the latter is largely controlled by the Food Administration in the interest of the consumer. There also exists a deplorable shortage in transportation facilities, a lack of farm labor, and a material increase in the cost of such labor as is available. In the interest of both producers and consumers, we believe it highly important that the statements of the packers covering the first nine weeks of their operations under Federal license should be verified immediately by the Food Administration.

The situation is resulting in a growing feeling of discontent, lack of confidence, and apprehension as to the future and we believe that unless practical, constructive remedies are promptly adopted, that decreased meat production will result, which, in our judgment, would be a national disaster.

The handling of the live-stock problem without due regard to the cost of production, the drawing of a hard and fast line between production and distribution, and treating them as separate problems instead of one, are partly responsible for the present unsatisfactory conditions. While the meat producer sees his industry in serious danger as a result of the conditions mentioned, he finds labor amply protected and receiving liberal returns, and the meat packers, as well as producers of steel, copper, flour, sugar, lumber, and many other commodities making liberal profits, and as a live-stock producer, he naturally feels that he is entitled to fair returns.

We believe it essential to our national success that a national live-stock policy be promptly adopted, just to both the producer and the consumer, and based upon such sound economic principles as will stimulate production, and at the same time put us in a position to meet the critical readjustment period which is bound to follow the conclusion of this world conflict.

In developing and putting into execution such a national live-stock policy, we believe that production and distribution should be considered as one problem, involving cooperation between the Department of Agriculture and the Food Administration, and that a joint committee of these two departments should promptly formulate and present to the country their program. While the full responsibility must rest with the Government, we can assure the disinterested support and assistance of the nation's live-stock producers.

Respectfully submitted.

DWIGHT B. HEARD,
ED. C. LASATER,
EDWARD L. BURKE,
A. SYKES,
A. R. MODISSETT,
T. W. TOMLINSON,
WM. KENT.

Since we have been here, the past 10 days, we have had a number of conferences with the Food Administration, with Mr. Hoover, with Mr. Cotton, and with Secretary Houston. I happened to be one of those stockmen who was appointed on what is called the advisory beef committee for the Food Administration, composed of E. L. Burke.

The CHAIRMAN. Of where?

Mr. HEARD. Of Omaha, Nebr.; Mr. McCray, of Kentland, Ind.; Mr. Cochel, of Manhattan, Kans., professor of the Kansas College; Mr. Gage, of San Antonio, Tex.; and myself.

The CHAIRMAN. Could you tell us how many of those men are live-stock producers?

Mr. HEARD. I think every one of them is an absolute live-stock producer. Personally, I have felt that we wanted something more than a perfunctory committee, and so I suggested that we have this conference with Mr. Hoover and Mr. Cotton, and I want to say that Mr. Cotton and Mr. Hoover have been exceedingly frank with us. They have put us in a position to know a great many of the things that Mr. Hoover knows, and we are in a position, I think, from now on to be much more helpful than before. Personally, I have not felt, up to this time, that we have had the information we might have had in order to form intelligent judgment. I want to say on behalf of Mr. Cotton that I estimate that he has an exceptionally difficult task. I think he is endeavoring to meet it with a level head and with fairness. He naturally has started in without knowing anything of this live-stock-production problem. He is endeavoring to get at the facts; and, I think, he is going to treat those facts

justly when he gets them. My personal position is that I would like to help the Food Administration to make good. It has a tremendous task ahead of it. I do not approach the matter in a critical sort of a way, but I do believe we should have a constructive purpose; and, after thinking the thing over, purely as an individual, I wrote Secretary Houston, which briefly gives you my ideas on this whole subject, and I think it might save time if I would read that letter into the record.

Senator KENYON. Would that cover what you personally think as a national live-stock man-

Mr. HEARD. That does; but what I am going to give you now is my own personal view point.

The CHAIRMAN. I was going to ask you, if you were the committee yourself, just what you would adopt as a national live-stock policy. I am glad you have outlined that.

Mr. HEARD (reading):

FEBRUARY 12, 1918.

HON. DAVID F. HOUSTON,
Secretary of Agriculture, Washington, D. C.

MY DEAR MR. SECRETARY: In view of our conference of February 9, in regard to beef production, prices, and distribution, the growing discontent of producers, the need of some prompt constructive action to improve the situation, and in compliance with the suggestion that I put my views in writing, I beg to advise you as follows:

As you are aware, I am in a position to view this question from several aspects—that of a member of the Advisory Beef Committee of the Food Administration; of one who has been in close touch with the work of the Market Committee of the American National Live Stock Association; as a producer of both animal feeds and live stock; while as chairman of our Arizona State Council of Defense, I am closely in touch with many of the problems of our producers.

I recognize the exceedingly difficult problems confronting Mr. Hoover and Mr. Cotton, appreciate the delicate international situation they have to handle in connection with their control of foreign purchases, and hope I may be able to offer something of real constructive value to assist them in cooperation with your department in accomplishing successfully their tremendous task.

In my judgment, we need a definite national program, covering the production and distribution of live stock and its products. In considering such a program, several things seem to be fundamentally necessary:

1. Our duty as a nation to supply the rapidly increasing needs of our allies for beef and other live-stock products, as well as the needs of our Army and Navy, and the per capita demands of our own civilian population, which Mr. Hoover advises me are increasing.

2. That the producer should approach this whole question in a determined effort to be of national service to the country in doing his full share to win this war.

3. The need of the early development of some thoroughly practical plan by which beef feeders, whose operations are conducted with good judgment and efficiency, can be assured of a reasonable profit.

Such a policy, in my judgment, should be built up by combining the fine spirit of patriotic service on the part of the producer with a sound knowledge of the economic conditions affecting the industry. However patriotic the producer may be, he can not continue in business unless his operations show a reasonable profit, and in speaking of a profit, I do not have in mind an abnormal war profit, but am convinced the producer will willingly accept President Wilson's recent definition of profits from a war standpoint.

In considering such a national policy, it would seem necessary to first recognize certain important facts as to the unsatisfactory situation now existing. These facts appear to me as follows:

1. The producer of beef in the feeding districts of this country, at the present market prices and with the present abnormal costs of feeds and labor, is in many cases losing money on his operations. There is a growing feeling of dissatisfaction among beef feeders. They are apprehensive of the future, and unless definite constructive remedies are promptly taken this apprehension and

lack of confidence will result in a steady decrease in beef production, which, in my judgment, would be most disastrous.

2. The existence throughout the country of abnormally high prices on feeds without any proportional increase in the price of the finished product.

3. The difficulty in obtaining experienced farm labor, largely caused by the unscientific application of the draft last year, which situation promises to become more acute by further operation of the draft, and the increasing cost of such labor as is available.

4. The suspension of the normal operation of the law of supply and demand by the unusual conditions created by the war.

5. The Food Administration, through its control of the purchase of export beef, coupled with its power over the packers through the licensing provision and control of their profits, is indirectly fixing live-stock prices to-day which in many cases are unremunerative to the beef feeder and producer.

6. Lack of definite knowledge on the part of the Government of the cost of production of live stock under existing conditions.

7. The inability of transporting live stock to market at proper time of shipment.

If I am correct in the foregoing analysis, 't would seem to me that the Department of Agriculture and the Food Administration working in the closest cooperation should promptly agree on a clearly defined national live-stock policy based as follows:

A carefully prepared detailed estimate of the probable needs, including amount and class of live-stock products for the ensuing year.

Sound economic principles, which would put us in a position to meet the critical readjustment period which is bound to follow the conclusion of this war.

A recognition of the facts that to win the war the producers of the country must be maintained on a prosperous basis. All waste in distribution must be eliminated, manipulation and speculation at the central markets stopped, and a plan outlined for simplifying the present excessive costs in retail distribution, which form so large a share of the price of meat products to the consumer.

Such a comprehensive policy should, in my judgment, cover a period from the birth of the calf on the range or the farm until the finished product reaches the mess tent at the front or the table of the civilian.

It occurs to me that such a policy might be worked out along the following lines:

1. The creation by the President of a small commission representing various branches of the live-stock industry, composed of level-headed men of practical experience, known for their patriotism and with records of real public service, who should be given definite power to promptly investigate the present unsatisfactory situation and recommend without delay constructive remedies.

2. The definite policy which such commission would be instructed to work out should probably include the following:

(a) An investigation of range conditions, which I believe would show the desirability of putting the public grazing lands under Federal control similar to that existing on the national forests, thus greatly increasing their meat-production value.

(b) A prompt investigation and a fair adjustment of the present abnormally high prices of stock feeds.

(c) A consideration of whether the prices of live-stock products now maintained by the Food Administration were sufficiently remunerative to encourage the producer to continue and increase production.

(d) A definite effort in cooperation with the Department of Labor to furnish an adequate supply of agricultural labor at reasonable prices.

(e) An investigation of the desirability of adopting a standard type of beef carcass for the use of our allies and the Army and Navy, toward which standard feeders could plan their operations.

(f) A consideration of the desirability of establishing in the larger cities of the country public retail markets under Government control where the consumers would have the opportunity of buying wholesome meats at slaughtering cost plus a small profit.

(g) A study by trained men of the transportation needs of the live-stock industry that a plan might be evolved to supply cars at the time of actual need.

Personally I feel that the live-stock producers of this country should recognize clearly that the time has come to bring about a more complete cooperation

between the producer and the consumer. In other words, that the producer must do some of his thinking in the language of the consumer. I believe that we must all tighten our belts and get behind the Government in a determined spirit of patriotic service that we may back up our boys at the front to the limit and thus do our full share to win this war.

Yours, sincerely,

DWIGHT B. HEARD.

Gentlemen, feeling, as I do, rather deeply about this question, I put myself on record, and that is purely my personal viewpoint. Some of you may say that that statement involves price fixing. I realize just exactly how delicate a point price fixing is. Certainly, I wish we might work out this question without price fixing, but I believe if price fixing comes and if this committee works this out and thinks price fixing is necessary, that price fixing is made on a just basis, the country will be willing to accept it. Personally, I hope it may be worked out without definite price fixing.

The CHAIRMAN. According to your statement, Mr. Heard, we are practically price fixing now through purchasing for our armies and purchasing for the allied armies, and that that price is too low to justify production; that is what I gather from your remarks.

Mr. HEARD. It seems to me, as one who practically handles stock and who has practically studied this question for a number of years, that the thing the Food Administration might do at this time—and I personally believe it has economic power to do it, although Mr. Cotton and Mr. Hoover disagree with me—would be to say to the packer, through the control that they certainly do exercise over them, through their licensing, and the fact that they are the largest purchasers of the packers' products, in order to encourage and continue to produce, we feel on this average class of animals that Mr. Sykes has referred to there should be an increase in the price.

Senator KENYON. To encourage production, you mean?

Mr. HEARD. Yes, sir; to encourage production. The present situation is this: We are beginning to ship greatly increased supplies of beef abroad. We have not been shipping nearly as much as we ought. In an address which I made at the National Live Stock Association Convention I took the position that there was altogether too much frozen meat in the storages of the packers. Since that time the situation has been greatly relieved. I understand that the ships engaged in the Argentine meat trade have now been transferred to England and are now ready to move the beef from this country, and that will cause a tremendous increase. Mr. Cotton furnished me a statement for my confidential use which I presume could not be used here.

The CHAIRMAN. We can treat it confidentially if you desire.

Mr. HEARD. I can only say that the figures furnished by the Food Administration are that the contracts made with the Allied Purchasing Commission have tremendously increased, and that our shipments of beef in the months of December, January, and February will be very much in excess of what they were in the preceding three months.

Senator KENYON. Mr. Heard, after we get our Army over there we will have a greatly increased supply for them?

Mr. HEARD. Absolutely.

The CHAIRMAN. I think a statement has been made that it will require 7,000,000 pounds more per month than last year.

Mr. HEARD. Well, our approximate shipments of beef in December, January, and February abroad will be about 50,000,000 pounds a month.

Senator NORRIS. Mr. Heard, in your very able outline there that you have read us, from your letter to the Secretary of Agriculture, you suggest the operation by the Government or through the Government of retail stores.

Mr. HEARD. Under Government control.

Senator NORRIS. I did not notice anywhere in your statement where you took the packing proposition. You have taken both ends of this live-stock proposition?

Mr. HEARD. I would like to say a word on that, because I have not particularly addressed myself to it. It happened that during my administration as president of the National Live Stock Association we initiated this policy of investigating thoroughly the packers, and a committee was appointed, known as our marketing committee; that has been in existence for two years, and had a large share to do in getting this investigation which is now being carried on by the Federal Trade Commission. We feel very strongly that this investigation being made by the Federal Trade Commission should be concluded, and concluded thoroughly. We want it done fairly. We have no malice to the packers, but we feel practices have been carried on that have been absolutely unfair to the producer and consumer.

Senator NORRIS. Of course, in any plan such as you have outlined, where you take up the producer at one end and the consumer at the other end you can not omit the packers, because they come in between the producer and the consumer. They must be handled in some way?

Mr. HEARD. Absolutely; but you will notice that I refer in that statement to the control by the Food Administration, through its licensing power of the packers.

Senator NORRIS. They have not done that; they have not applied the licensing to the packers?

Mr. HEARD. Absolutely; yes, sir. It was applied on the 1st day of November, and the first nine weeks' report made by the packers under the license is just in. It is in effective operation.

Senator NORRIS. What does it show in regard to their profit?

Mr. HEARD. I think you would find it of great interest to study. As a member of the advisory committee of the Food Administration we have had the opportunity, through Mr. Cotton, of seeing the various forms of license which led up to the final license, although we were not consulted in the actual preparation of that license. The license briefly provides that the packers of the country shall have 2½ per cent profit on their total turnover; that the five big packers shall be placed in a somewhat different class, and that while they shall be allowed 2½ per cent profit on their turnover, they can not exceed 9 per cent profit on their actual sales and 15 per cent profit on their sales of by-products. I would like to ask Mr. Tomlinson if that is not practically correct?

Mr. TOMLINSON. Yes, sir.

Senator KENYON. State that again to the committee as to the big packers.

Mr. HEARD. The big packers are allowed a profit of 2½ per cent on their turnover, subject to the percentage limitation of 9 per cent.

Senator NORRIS. What do you mean by "turnover"?

Mr. HEARD. For instance, Swift & Co.'s gross sales—

Senator KENYON. How long does it take to turn over?

Mr. HEARD. During the entire year.

Senator NORRIS. You do not mean they are only allowed 2½ per cent on their business in a year?

Mr. HEARD. On their total turnover.

The CHAIRMAN. How many turnovers do they have a year on the average?

Mr. HEARD. How many would you say they had, Mr. Tomlinson?

Mr. TOMLINSON. It depends entirely on the character of their business: the turnover on cattle is quicker than on hogs; hogs being mostly cured, the turnover is not quite so rapid as on cattle.

The CHAIRMAN. How many hogs and cattle, then, could you approximate it?

Senator NORRIS (interposing). What relation does that bear to the investment?

Mr. HEARD. I will show you in just a moment. Take one specific case. Swift & Co. in 1915 showed a profit of \$14,000,000; in 1916 they did a profit of \$21,000,000; in 1917 they showed a profit of \$34,500,000; and I understand that in addition to that very great profit they also laid aside approximately \$10,000,000 to take care of excess profits—income taxes.

The CHAIRMAN. That was cash profits?

Mr. HEARD. That was actual profits.

The CHAIRMAN. Did they not issue stock dividends?

Mr. HEARD. I am not advised on that subject. Their total turnover last year, and I will ask Mr. Tomlinson to check me, was \$885,000,000.

The CHAIRMAN. That is Swift & Co.?

Mr. HEARD. That is what I understand. Mr. Tomlinson will verify that and make the correct figure in the record, and you can see that out of 2½ per cent profit that would make about \$22,000,000 profit.

Senator NORRIS. What has that to do with the other profits; is that the only profit they make?

Mr. HEARD. It can not exceed 9 per cent on their beef business and 15 per cent—

Senator NORRIS (interposing). Of course, the amount of profit or the per cent does not mean much unless we know the investment upon which it is based, and \$34,000,000 of profit might not be 1 per cent or it might be 50 per cent, depending on how much was invested in the business.

Mr. HEARD. And on that matter I suggest it might be well to obtain and insert as a part of this record the packer's license, which will give you much more of this detail than I can give you from memory. It is all a matter of record, the packer's licenses.

Mr. TOMLINSON. \$160,000,000 is the investment, so you can figure what the \$34,000,000 net profit would be.

Senator NORRIS. It would be quite a good deal better profit than the producers make.

The CHAIRMAN. A great deal better.

Senator NORRIS. Patriotism seems to be more profitable in the packing business than in the producers' business.

Mr. HEARD. There is just one more thing I would like to incorporate in the record.

Senator KENYON. Are the packers in any way represented in the Food Control matter?

Mr. HEARD. Not to my knowledge, Senator.

Senator KENYON. And no one connected with the packers is holding any position there?

Mr. HEARD. I would like to say, in response to you, that I feel very strongly that the actual producer, the practical stockmen, and the practical producers, feeders, if you please, should be represented in the Food Administration. I fairly agree with Senator Gronna that there should be more recognition of the producer in the Food Administration. I think if the Food Administration would try to think more in the terms of the producer they would have a better conception of the whole situation.

Senator NORRIS. Was not Mr. Cotton attorney for those packers?

Mr. HEARD. I do not think so. I want to say, I have a very high opinion of Mr. Cotton.

Senator NORRIS. I have no other. I am not complaining with Mr. Cotton, excepting it seemed queer that Mr. Cotton, a lawyer in New York, should be selected to regulate the business of the cattle producers in the West.

Senator GRONNA. I am glad to agree with you. I do not mean to criticize Mr. Hoover. I think Mr. Hoover has shown marked ability. It is a pretty big thing for any one man to handle, and I think you people could have helped him wonderfully; that has been my idea.

Mr. HEARD. We want to help; I am not coming to criticize, but to be of some real use in this tremendous job.

Senator KENYON. You realize it is a pretty serious situation?

Mr. HEARD. Very serious.

I would just like to file this statement, which is a copy of our principal resolutions adopted at our recent national live-stock convention in Salt Lake City on January 14, 15, and 16. I have been requested to present them to this committee, and I will now do so.

(The resolutions submitted by Mr. Heard are here printed in full, as follows:)

RESOLUTIONS ADOPTED AT THE TWENTY-FIRST ANNUAL CONVENTION OF THE AMERICAN NATIONAL LIVE STOCK ASSOCIATION AT SALT LAKE CITY, UTAH, JANUARY 14, 15, AND 16, 1918.

RESOLUTION NO. 1, PLEDGING SUPPORT TO OUR GOVERNMENT.

We affirm our confidence in the commander of our armies and the maker of public sentiment for the allied world—President Woodrow Wilson. We believe that every interest should be subservient to the Nation's business in hand, which is to win this war. We pledge to our President our whole-hearted support in any efforts or policies he may deem necessary to win this war: Therefore be it

Resolved, By the American National Live Stock Association, in convention assembled at Salt Lake City, Utah, January 14-16, 1918, that we approve of the centralization of power in the hand of efficient agencies for the purpose of developing and mobilizing the Nation's man power, the Nation's productive power, the Nation's industrial power, so that from the maximum development of all these agencies an economic policy, fairly proportioned and just to the whole people, may become the Nation's policy. We ask that, in the delegation of the unusual powers to the various agencies for the accomplishment of these purposes, due consideration be given to the vital necessity of safeguarding the

28 INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

Industrial freedom of our people when peace shall have been restored to the world.

RESOLUTION NO. 2, URGING INCREASED PRODUCTION OF LIVE STOCK AND FOOD PRODUCTS.

Whereas it is the sense of this convention that the result of the world war now being waged by Prussianism against the rights of man will be decided by the ability of our Nation adequately to furnish food supplies for our allies: Therefore be it

Resolved, That we urge our membership, and the ranchmen and farmers of the Nation, to produce, to their maximum capacity this season, feeds, foodstuffs, and animals fitted for slaughter.

We realize that at the present time the market prices for our live stock and dairy products are not commensurate with the cost thereof and a fair profit; but, viewing the world situation, it is plain that we can not serve our children and humanity better, at this time of democracy's peril, than by abnormally increasing our production. A willingness to assume such risk does not imply a lack of determination to demand and work for justice at the Nation's hand. When once the situation of the food producers of the Nation is understood by the people, we are firm in our conviction not only that the profiteers will receive their just dues, but that justice will be accorded the producers of the Nation, so that their products will return to them the cost of production plus a reasonable profit. It is safe to rest our cause upon the honesty of the American people.

It is our opinion that a reasonable rate of profit shall not be less than the producer is charged on his long-time mortgage loans or for short-time accommodations from his local bank or merchant.

We ask the producers of our Nation's food supply to be true to our country's welfare and to our boys in the trenches.

RESOLUTION NO. 3, INDORSING THE FEDERAL TRADE COMMISSION INVESTIGATION.

Whereas the Federal Trade Commission, in response to the President's Order of February 10, 1917, is making an investigation of the packing industry of the United States; and

Whereas we believe the Federal Trade Commission, assisted by the Department of Agriculture, is the most suitable agency for ascertaining all the facts, explaining their significance to the public, and submitting recommendations to the President and Congress; and

Whereas we think it is vital to the Nation that the public be made aware of the extent of control by the large packers over the various industries connected with food production and distribution and the means employed in the acquisition of such control, and we approve of the public hearings now being conducted by the Federal Trade Commission: Therefore, be it

Resolved, That the American National Live-Stock Association heartily indorses the action both of the President in ordering the investigation and of Congress in providing the necessary funds for conducting it; we urge that the investigation be unremittingly pursued and a prompt report made; and we commend the work of the Federal Trade Commission and the Department of Agriculture in this matter and pledge to them our hearty cooperation and support, through our market committee and in every other possible way, to the end that prompt measures may be taken by Congress to put the live-stock industry on a sound economic basis, for the future so that it will keep pace with our growing population.

RESOLUTION NO. 4, INDORSING A NATIONAL ORGANIZATION OF PRODUCERS.

Resolved by the American National Live-Stock Association, That we believe it is essential for all the local organizations of farmers and live-stock producers to be federated into one national body, so that they will thereby be able to command a fair consideration of their interests, to the end that both the producing and the consuming classes may be freed from exploitation, thus enabling them to perform their full duty to the Nation.

RESOLUTION NO. 5, GENERAL STATEMENT AND PRESENTATION OF RESOLUTIONS.

Resolved, By the American National Live-Stock Association in convention assembled at Salt Lake City, Utah, January 14-16, 1918, that the preceding four

resolutions and the following general statement be presented personally by the officers of this association and members of our market committee to the President of the United States, the chairman of the Committee on Agriculture of the United States Senate, the chairman of the Committee on Agriculture of the House of Representatives, the United States Food Administrator, and the Secretary of Agriculture.

STATEMENT.

The democracies of the world are to-day fighting to maintain their political independence and to secure for their children freedom from Prussian domination. The food shortage of our allies, and the danger that we may not adequately supply their needs, are threatening the success of the war. For this reason we deem it the part of good citizenship to call your attention to certain fundamental facts.

In the past 20 years the production of live stock for meat purposes in the United States has not kept pace with the increase in population, and we believe that the past year has witnessed the greatest sacrifice of breeding stock in our history. This is especially true of cattle. In 1916 17,552,556 head of cattle passed through the live-stock centers, while in 1917 22,239,628 head passed through the same stock-yards. Of this increased number of cattle about 3,000,000 head were made up of immature steers and young cows.

The feed shortage resulting from the unprecedented drought over the Southwest was such as to require the slaughtering of an unusually large percentage of the calf crop in order that there might be a greater probability of saving the lives of the mother cows. This will inevitably make a short yearly crop for 1918. The severity of the winter storms in the Northwest also tended to bring about the same result. As a consequence of the impoverished condition of the mother cows it is certain that they will produce a greatly reduced crop of calves in 1918. Thus the feed situation of 1917 will have affected the yearling crop of 1919. Because of these conditions, the past six months have seen hundreds of thousands of young and immature cattle slaughtered, and in some cases returning to owners less than the cost of production. This slaughter of immature steers and young cows has cut into the beef supply of the immediate future, as well as into the foundation for the production in years to come. Many beef cattle being marketed at the present time are showing losses to owners. Since 1914 two of the three crops of beef marketed have shown a loss to the feeders of beef; and this, when the world is at war and every part of the animal is being sold to consumers at the highest price in the history of the country. In spite of these results to producers, the interests that handled the products of our cattle for these same years have garnered enormous profits. This fact, we think, will be made clear by the report of the Federal Trade Commission on the packing industry—a report which, we venture to hope, will shortly be made public.

The dairy farmer has fared no better financially than his meat-producing brother. In addition to his losses, when organizing for the purpose of securing a fair price for his product, he has been threatened with wholesale prosecution, and in some instances indicted under the antitrust laws. Events of 1917 will long be remembered by the dairy farmers of America.

Farm labor is the most poorly paid of any of the basic industries. The portion that the producer receives of what the consumer pays for the products of the farm is insufficient to permit the farmer to compete in wages with the transportation, merchandising, and manufacturing industries. The labor situation, the high cost of feeds, high interest rates, a restricted outlet for beef and mutton, and, above all, unfair market practices, all conspire to make it well-nigh impossible for the producer to perform his part in furnishing adequate food supplies for the war. Is not this a matter of national concern?

The producers of the Nation are looking to Washington for leadership and prompt action, just and fair to all, which will remedy this situation.

A true copy.

T. W. TOMLINSON, *Secretary.*

Presented by:

DWIGHT B. HEARD.
ED. C. LASATER.
A. R. MODISSETT.

Mr. HEARD. Are there any other questions, Mr. Chairman?

The CHAIRMAN. Yes, sir; I will ask you one or two. In the first place, the transportation system is one of the factors which embarrasses the producer and the consumer as well in relation to the live stock situation.

Mr. HEARD. Yes, sir.

The CHAIRMAN. Another factor is the feed situation, the shortage of feed, and the high price of feed.

Mr. HEARD. Yes, sir.

The CHAIRMAN. Any policy which might be instituted which would encourage a larger production of grain would react favorably on the live stock situation, would it not?

Mr. HEARD. It surely would, sir.

The CHAIRMAN. The other problem is the labor problem, and the live stock people are in the situation where they can not utilize the machinery very much. They can not substitute machinery for manual labor.

Mr. HEARD. On that question of labor, to which Senator Gore has referred, I think I would like to say a word for the Labor Department, which, through the creation of the Federal working reserve, is apparently making an organized effort to try to solve this labor problem, and in that connection they are having the cooperation of the Farm Labor Bureau. I happened to have occasion to ask them to bring in more cotton laborers in our fields; I think they are trying to work on it right now in a constructive way. But it should be speeded up.

The CHAIRMAN. Where they obtain cotton laborers will they obtain them without diminishing the necessary supply from whence they are obtained?

Mr. HEARD. At present, as to the Southwest, we are trying to arrange with the Secretary of Labor to continue his order of last May, so that we may bring in these Mexican agricultural laborers. As you all know, they are considering the bringing in of Porto Rican laborers. It seems to me the agricultural labor problem in America is a very serious one—one which demands the very best consideration of you gentlemen.

Senator GRONNA. And affects in great measure the cost of production?

Mr. HEARD. Very greatly, Senator.

Senator KENYON. What would you suggest in the Middle West? How are the farmers going to meet it in the Middle West?

Mr. HEARD. I think the first step is the registration of all available laborers, so as to make labor fluid, and some practical arrangement should be effected so as to transport promptly the surplus of labor to the point of need.

The CHAIRMAN. To get the highest efficiency out of the available supply?

Mr. HEARD. Yes, sir.

The CHAIRMAN. It is easy enough to suggest the needs and desires. They present themselves and force themselves on all men's minds. The difficulty is to work out the practical means of bringing about results. That is what the contest in Congress is upon, and we do not get many suggestions as to the ways and means.

Mr. HEARD. I am trying to offer suggestions as to ways and means.

The CHAIRMAN. That is what we would appreciate. You made some suggestions about public markets that would shorten the circuit between the producer and the consumer. Do you have in mind any experience of any country or any city where that has been done that would serve as a model?

Mr. HEARD. In Germany, as you are probably aware, the public market, under public control, has been in successful operation for a great many years.

The CHAIRMAN. They also have one in Paris.

Mr. HEARD. There have been public markets in this country?

The CHAIRMAN. What ones have been successful?

Mr. HEARD. The public-market idea in America apparently has not made a great success, as probably you know. They have been making an effort along the line of the mayor's marketing committee in New York for several years. I became so impressed last December at the meeting of the advisory live-stock committee with Secretary Houston, on account of the need of the producer, beginning to study the consumer's problem, that I went over to New York and met a gentleman who is a member of the marketing committee, and I tried to find out what they were trying to do. I found they had not accomplished very much, but found they had established terminal markets.

There are other American cities, of which you can be advised by the Agricultural Department, which have worked out a public market. It is a hard thing, but it is worth trying, because my firm conviction is that not only during the war must you do everything possible to have a contented industrial class—and that means reasonable cost of living—but after the war it is absolutely essential to have well laid out plans, so that you maintain a contented industrial class of people, because we see these tremendous prices which labor is compelled to pay, and it is going to cause difficulty to maintain satisfactory conditions after the war, and we have got to be prepared to maintain a critical readjustment of public affairs; and therefore I think the subject of public markets should be very carefully considered and not abandoned because it seems difficult.

The CHAIRMAN. I do not know about New York, but somebody told me about Minneapolis, I think.

Mr. HEARD. I think Mr. Tomlinson may be able to give you some data on cities. There are certain things immediately to be done, and certain other things which should be worked out toward a permanent policy.

The CHAIRMAN. Mr. Heard, is there anything else which occurs to you which you would do if you were appointed on this committee that you speak of and if, as a member of that committee, you had the power of directing what it would actually do, the things it would do to bring about the ends you describe?

Mr. HEARD. I do not think I could offer more than I have expressed in my letter to Secretary Houston; that is definite.

The CHAIRMAN. Most of those things were objects to be accomplished rather than as to the ways and means of accomplishing those objects.

Mr. HEARD. The first step is the most complete cooperation between those two great agencies, and I think it would be desirable to have a small, level-headed committee to take this up and work out a constructive national policy.

The CHAIRMAN. It is just that constructive national policy we are trying to get at. You did outline certain things to be accomplished. What I wanted more particularly, if you had in your mind one—the actual realization of that policy.

Mr. HEARD. I think you will find I outlined them in my letter to Mr. Houston.

The CHAIRMAN. I think one or two points related to ways and means and the others more generally to the ends. It takes experience to actually wrestle with the problem to work out the ways and means, but that is what we have got to do to arrive at the end.

Senator KENYON. What is going to be the result of these conditions?

Mr. HEARD. In my judgment, you are going to see a steady decrease in the beef production.

Senator KENYON. You think there is no doubt about it?

Mr. HEARD. That is my firm conviction.

The CHAIRMAN. Even the normal supply would not be adequate, in view of the increased transportation abroad of meat?

Mr. HEARD. Gentlemen, I received the most astounding information, in conference with Mr. Hoover, and I want to say Mr. Hoover has given us lots of information. He has met us in a practical and friendly spirit, and I began to realize personally more than I did before the tremendous difficulty of the task that confronts him, and the figures that have been furnished to him as to the slaughter would indicate an increase during the past year of 10 pounds per capita in beef consumption. Is not that correct, Mr. Tomlinson, as you understood it?

Mr. TOMLINSON. The statement put out by Mr. Hoover was that during the past five years there has been an increase in per capita consumption of beef of from 70 to 80 pounds.

The CHAIRMAN. Has there been a corresponding diminution of meats of other sorts?

Mr. TOMLINSON. It has been my judgment that the consumption of meats has not increased.

Mr. HEARD. I was astonished to receive that statement; but he apparently has some very accurate figures to indicate it, and in my judgment that is due to the fact that in the industrial centers wages have increased enormously and people are eating more liberally of beef because of these increased wages.

Senator KENYON. The prices of beef have increased?

Mr. HEARD. The prices of beef have not increased nearly in proportion to other food commodities, sir.

The CHAIRMAN. Why is that?

Mr. HEARD. That is a very difficult question to answer, sir. It is a very difficult question to answer. We have been thrashing it out through our marketing committee for several years, and we have felt that one of the big pieces of constructive work that might be done through our marketing committee, by getting at the actual facts of the packers' business, would be to have reflected to the consumer the immense profits which the packers have been making in recent years on their by-products, which is the source of their big profit.

The CHAIRMAN. The statement of facts is the best argument in favor of the packers. If beef products have not gone up corre-

spondingly with other food products, that would tend to indicate that the packers have not abused their power.

Mr. HEARD. But my point is that the packers have had power and have exercised it to control prices at the central markets. My personal view is that the packers should be treated as a public monopoly and controlled as such. It is perfectly true that, as I say, the price of beef has not risen proportionately as high as other articles, but it is also true that the profits of the packers have risen enormously, and their profits have not been reflected either in more remunerative prices to the producer or in a still further decrease in prices to the consumer.

The CHAIRMAN. You put your finger on the fundamental point about monopoly of prices. A great many people have an idea that a monopoly always fixes the highest possible price for its products. That is not true at all. The law of monopoly compels them to sell at the price which will realize the largest net profit, and there is a price above which the price would diminish the net profits rather than increase or maintain them.

Mr. HEARD. Mr. Chairman, I would like very much if Mr. Tomlinson, who is probably better posted on the facts of this than almost any man I know, might have a few moments before you adjourn to tell you about that. I have to leave to-night, and I appreciate the courtesy you have extended to me.

The CHAIRMAN. It has been a great pleasure, because your statement has interested us very much. You suggested a policy to be applied with respect to the public domain.

Mr. HEARD. Yes, sir.

The CHAIRMAN. What is the present policy with respect to the public domain?

Mr. HEARD. The present policy with respect to the public domain is that of no control whatsoever—no rule of use. It is merely everyone for himself, to get all he can out of the land, with the result that the carrying power of the public range is decreasing, and that it costs more to produce cattle on the public range than on the adjacent forests, even including the cost of grazing.

The CHAIRMAN. The Secretary of Agriculture controls the national forests, and the Secretary of the Interior the public domain?

Mr. HEARD. For many years we have been trying to bring about that form of public-domain control, but it has always been defeated because it was said to be an attack on the homesteaders. But this is a policy that certainly should be put into effect as a war measure.

The CHAIRMAN. What ought to be done?

Mr. HEARD. Just this: Pass some simple legislation by which the public lands of the Nation, which amount to nearly 250,000,000 acres, are placed under the administration of the Department of Agriculture, through the Forest Service, so that similar rules as to the use of those lands may be maintained.

The CHAIRMAN. Are they leased at present at all?

Mr. HEARD. Not at all.

The CHAIRMAN. Just open to the public?

Mr. HEARD. Yes. Then they could be leased under specific regulations, and those regulations should provide the most complete regulations for the homesteader.

Senator GRONNA. I have had such a bill before the Congress for the last 10 years, covering the leasing of public lands, and I know many cattlemen have talked to me and they are in favor of it, but we could never get anywhere.

Mr. HEARD. It could be accomplished now as a war measure; it would result in one of the greatest benefits to this Nation.

The CHAIRMAN. We have split up things that ought to be administered as only common property.

Senator GRONNA. That is true.

Mr. HEARD. I would like to state, on this subject, that the Southwestern League, composed of representative, public-spirited men and the governors of the various Southwestern States, have also gone on record in favor of a grazing policy.

The CHAIRMAN. Do you think that would interfere with the Secretary of the Interior's general control of public lands?

Mr. HEARD. I think a plan could be worked out by which it would be entirely practicable to have that done by the Agricultural Department, or, if that is not possible, a new commission could be created within the Interior Department.

The CHAIRMAN. Of course it never ought to have been divided; and I understand it was on account of objections on the part of certain high officials that it ever did happen. I am glad to have had that suggested.

STATEMENT OF MR. O. P. B. JACOBSON, RAILROAD AND WAREHOUSE COMMISSIONER OF MINNESOTA, ST. PAUL, MINN.

The CHAIRMAN. Mr. Jacobson, will you please state your full name?

Mr. JACOBSON. O. P. B. Jacobson, railroad and warehouse commissioner of the State of Minnesota.

The CHAIRMAN. How long have you had that position?

Mr. JACOBSON. Three years; and I was for three years a member of the Board of Grain Appeals of the State of Minnesota.

The CHAIRMAN. Very well. Mr. Jacobson, we will be glad to hear your statement in your own way.

Mr. JACOBSON. Mr. Chairman, gentlemen of the committee, I came into this room when the gentleman who appeared before me was speaking, and as I am somewhat interested in car shortage, demurrage, and other such matters, I should like to say a few words in regard to the car shortage. You all remember that the Government last spring sent circulars out to the farmers in our State asking them to plant potatoes; as many as possible. We did so. The farmers were willing to plant all the potatoes they possibly could, but we had an early frost, and we could not ship out as many potatoes last fall as we wanted to. Last week they telephoned me from one little village asking for 200 cars, saying that they had to ship their seed potatoes to the South. It is impossible to get cars enough at this time to ship, so a great many farmers' potatoes up there will be spoiled on account of the car shortage.

The CHAIRMAN. And a corresponding loss on that score will be the lack of seed in the other parts of the country?

Mr. JACOBSON. Yes, sir. Also the potatoes in our country will spoil, so that the farmers will not get any price for them. That is the situation up in Minnesota.

The CHAIRMAN. And probably they will not plant very much this year?

Mr. JACOBSON. On account of the circulars that were sent out last spring there were a good many farmers planted potatoes, 10 to 14 acres, and when the time came to dig them they did not have the facilities. The Railroad and Warehouse Commission of the State of Minnesota tried to induce the International Harvester Co. to send us as many potato diggers as possible. Of course, when the time comes to dig potatoes they must be dug at once and they must be shipped at once.

Now, with regard to the live stock, the situation in Minnesota is the same. Every day people telephone us requests for cars to be sent to the different villages, and we are doing our level best to provide the cars as fast as possible.

Senator GRONNA. In connection with the live stock, is it not true that in Minnesota a great many young pigs, immature hogs, have been shipped out on account of the scarcity of feed? Of course, you use a great deal of mill feed up there; can you tell us about the price of mill feed?

Mr. JACOBSON. In regard to the mill feed, the price of bran and shorts, for instance, went up in about six weeks from \$27 a ton to \$45 a ton.

I want to say something about the inspection of grain. When our grain is shipped into the terminal markets and is cleaned, of course, there is a good deal of other material in it; for instance, wild vetch, or wild peas, we call it. I looked over the grain inspector's report before I came away and I found the Washburn-Crosby mill alone in the last three months had shipped out 13,000 bushels of wild peas, for which, I understand, they got \$30 a ton.

Senator GRONNA. And for which they paid nothing?

Mr. JACOBSON. They paid nothing. The producers supply the wild peas for nothing, and the grain is graded down from No. 1 to No. 4 on account of the foreign material.

Senator GRONNA. So that the farmer not only loses the value of the peas, but because the peas happen to be in the wheat, if the wheat is No. 1 hard it will be graded down three or four grades?

Mr. JACOBSON. Yes; four or five.

The CHAIRMAN. Do you know, Mr. Jacobson, whether the Food Administration has fixed a price on bran and shorts?

Mr. JACOBSON. They have not.

The CHAIRMAN. I think probably they have on carload lots, and I want to bring that out later on.

Mr. JACOBSON. You understand, Mr. Chairman, that the millers get only 25 cents a barrel for milling the flour, but when they get such an immense price for their bran and shorts, they make their profit on the bran and shorts and other materials that are in the grain coming into our terminal market.

The CHAIRMAN. And embarrassing the live-stock industry in order, perhaps, to put the price of flour artificially low?

Senator GRONNA. Is the price you refer to in carload lots or ton lots?

Mr. JACOBSON. It is in ton lots, of course. It would be sold to the dairymen—

The CHAIRMAN. I think perhaps the price has been fixed on carload lots, but probably the situation has been manipulated so the farmer does not get the benefit of it. We have committees here from Oklahoma that will probably be able to furnish evidence on that point.

Mr. JACOBSON. That is the idea, Senator.

In regard to the pigs that Senator Gronna mentioned, that statement is correct as far as the western part of the State is concerned.

About a week ago we got orders from the elevator men in the southern part of the State asking us if we could procure from the Government 2,000 cars to ship out the grain in the southern part of the State, which was commencing to heat. We telegraphed at once to Mr. McAdoo that 2,000 cars were requested in the southern part of the State. Of course, we know it is impossible to get that many cars now, but it only shows the car shortage all over the country.

I investigated the car shortage, especially a year ago. A year ago when our terminals were congested and we could not ship any more grain to New York, Philadelphia, and Boston, I went East myself and investigated the car situation in New York and other eastern ports, and I found that grain and other commodities had been on the New York Central tracks and Lehigh Valley tracks for three or four months. I went to the chief grain inspector of New York and asked him the condition, and he told me that that was the case. I went to Philadelphia and investigated and I found the same condition there. They were our cars that we shipped grain in for warehouses. I read a paper before our National Association of Railway Commissioners this winter showing the necessity for the railway companies' securing facilities for unloading the farmers' products when they are shipped to the market—

The CHAIRMAN. Will you put the vital parts of that address in the record? Can you furnish us that to be printed with your statement here?

Mr. JACOBSON. I will be glad to furnish my friend Senator Gronna the paper that I read before that association. I have it with me in Washington; several Senators asked me for it.

Immediately after I read that paper I was called to New York by one of the public-service commissioners and the commissioner of the port of New York. I could not see any other way out than that it was the duty of the railroad companies to build elevators, just the same as we do in the Northwest. What would happen in Minneapolis, in Seattle, Superior, and other ports of the Northwest if the railroads did not have these facilities? We would be congested there all the time. Why should not the railroads of the East also furnish facilities for unloading the farm commodities?

The CHAIRMAN. Do you think those facilities would be required in times of peace as well as times of war?

Mr. JACOBSON. I do, sir. When I was a young man I was a navigator, and I remember very well the number of elevators they used to have in Brooklyn and other points at that time. Now, Mr. Chair-

man, you can not find one warehouse or elevator in Brooklyn. That shows it is very necessary.

I will further state that I drew up a resolution last winter when our legislature was in session—and it was introduced in both the house and the senate—providing that if the railroads of the East did not furnish facilities we should request the Government to see that they furnish facilities, so that we should not be situated as we have been for the last three or four years in regard to the shortage of cars.

Senator GRONNA. Do you believe, then, Mr. Jacobson, that if they had storage facilities at the seaports it would relieve the situation to a considerable extent?

Mr. JACOBSON. There is no question about it, Senator. When we had the demurrage hearings in our State about a year ago all the State grain men were there, and I remember the statement that Baltimore was about the only place on the coast here where there were elevators to receive and unload cars, and one of the big grain men up in our country told me that that was the only place they dared to ship any grain to. At that time, gentlemen, the Great Northern had about 65 per cent of their cars; the Northern Pacific had about 67 per cent, I think it was; and at the same time the New York Central, the Lehigh Valley, and other eastern roads had from 130 to 140 per cent of cars on their tracks. That shows that the western roads have supplied the East with their cars.

The CHAIRMAN. In other words, the western roads furnished cars to be used as warehouses in the East?

Mr. JACOBSON. Yes, sir. Three or four years ago whenever a village or small town requested a new depot or other improvement, well do we remember that the railroads told us that times were hard and thousands of cars were standing idle and not used. But after that, of course, a period of good times came, and we all know that our tonnage from the west coast has entirely disappeared. That tonnage has gone to the Atlantic and other ports, and now all the lumber, grain, and other commodities from the West have to be moved through the terminals of the Twin Cities to the eastern market, and a great many of those cars are now used in transportation from coast to coast. That is one reason, probably, why there is a car shortage at the present time. I do not think the railroads in the last few years have built either cars or locomotives as they should have done to meet war conditions.

The CHAIRMAN. Of course, that was a situation they could not anticipate. That is one trouble about their terminal facilities; terminal facilities which would accommodate their business in times of peace will not accommodate their business in time of war. It is rather difficult to see that they ought to be required to provide permanent facilities to meet a war situation which may soon pass and leave them on their hands.

Mr. JACOBSON. I remember I was down here last year just after war was declared, and I was talking with Senator Nelson about the situation, and I immediately told him that the Government ought to seize the warehouses and piers that belonged to Germany, because at that time we had a great deal of flour standing in the East. I know the millers in Minneapolis told me they had flour standing on

the tracks that they could not unload. Of course, we all know those big warehouses and piers could easily be fixed up and flour could be unloaded and taken care of.

I think, though, that if the commissioners of the ports of New York and of New Jersey had gotten together something could have been done. I am going to meet with them probably to-morrow. They wanted me to bring some of our warehouse laws of Minnesota. You are all aware probably that Minnesota was the first State to enact warehouse laws. I promised when I came East again I would bring them along.

Now, gentlemen, I do not know anything else to say to you in regard to the car shortage. I think I have explained to you as well as I could in a few minutes the situation as I have investigated it. I was on a committee on car shortage and demurrage of the national association last year. I did not agree with the majority, so I read a minority report on my investigation. I do think that the railroads of the East should furnish facilities for loading grain just as much as the railroads of the Middle West.

There was something said about the Federal grain act here. Senator Gronna wanted me to say a few words about that. You will remember, Mr. Chairman, that when I appeared before you two years ago I opposed the Federal inspection bill. I have always objected to the Federal inspection bill, because Washington is too far away from the different States. I have always believed in State inspections, and I do now more than ever. We men from the different States are now asking the Secretary of Agriculture—and we appeared also before the President last night—to have an advisory board appointed in the Bureau of Markets to sit with these technical men down here. Excuse me if I say it, but, of course, we all realize they are technical men, and we think it is necessary for the farmers to have representatives on this board—that is, to have an advisory board. We have drawn an amendment to this effect, that the governors of the States that raise 100,000,000 bushels of grain or more—not wheat alone, but grain—shall appoint a man from each of these States to sit here as an advisory board with the Bureau of Markets.

The CHAIRMAN. You do not limit that to wheat?

Mr. JACOBSON. Not wheat, but grain. He should be a practical grain man, that could tell these men who are chemists what kind of wheat this is, what kind of barley this is, and all that.

The CHAIRMAN. A man that can tell wheat from oats?

Mr. JACOBSON. Yes. Under the Federal grain act we have now over 100 different varieties of grains, and it is impossible, gentlemen, for our inspectors—men who have graded grain for 25 or 30 years—to grade all alike. I will take three of our best men under the present grading system, and they will probably all grade differently. That sounds very queer to you, perhaps, but that is a fact. That is because it is so technical. For instance, take a sample of wheat that contains 4 per cent of durum wheat: That durum wheat is the same price as the other wheat, but if it contains 4 per cent it goes down from No. 1 to No. 4; if it contains a little wild peas, it goes down from No. 1 to No. 4; if it contains a little barley or rye, it goes down to 4 or 5. Senator Gronna showed me a sample of grain the other day, and I thought at once I could see there was a little rye

in it; but, of course, I have inspected grain for a good many years, and I think I know something about grain. But I must admit, under the Federal grain act, I do not know anything about grading, although I have graded grain for a good many years. The Federal supervisors in Minneapolis do not know anything about it, and I do not think there is anybody else that does. They will say, "This sample is No. 2," and the inspector will say No. 3.

The CHAIRMAN. The theory on which that law was based was that it would simplify and unify the system throughout the country. Is it your opinion that it has resulted in confusion?

Mr. JACOBSON. The worst confusion I ever saw in my life, Senator. I never saw anything like it.

The CHAIRMAN. Is there any other remedy than the appointment of this advisory commission by the governors, as you have suggested?

Mr. JACOBSON. Of course we do not want to go too far. Our farmer elevator men up there passed a resolution to repeal the act, and the same thing was done in some of the other States. I told them I did not think we could repeal the act, especially in times like these. We are all loyal, and we want to do everything to win this war, especially farmers who have boys in camps, like myself; but we feel that when we sacrifice our own blood to help the Government that the Government should help us and help the farmers during the war. My boy is in France; your boy is in France; but the farmers are also in the war. They are just as much in the war as our boys are, and they feel that the Government should encourage the farmers and not discourage them. I am sorry to say that resolution was passed; that they would not sow wheat; that they would sow other coarse grains. I tried to discourage that, but when it comes to paying a certain price—for instance, there was Senator Gronna's wheat that he paid \$2.10 for and received \$1.85; when farmers get treatment like that under the Federal grain act, gentlemen, you can not expect that they will go ahead and do as they did last spring. I know myself I urged them to plow more land and do everything they could. They have to buy heavy machinery that costs more money now than it ever did, and when it comes to setting a price for their grain they receive less than the winter wheat belt receives. Our winter wheat, which is gluten wheat, and which everybody knows is the best in the world, would not bring as much as the winter wheat.

Senator NORRIS. As was suggested by Senator Gore, the object of that law was to unify these grades so that the grades in one State would be the same as in another. Is there not something in this, that the law is not so much at fault as its application? Would it not be a good idea if we could have uniform grades all over the United States?

Mr. JACOBSON. It would be, and that is what they argued before the Committee on Agriculture of the House when I appeared there. They argued that No. 1 in Minnesota would be No. 1 in New York, but that is not so, gentlemen.

Senator NORRIS. Then that is the fault of the way the law is applied and administered by the men who are doing it rather than the fault of the law?

Mr. JACOBSON. Yes; but if the wheat contains a little wild peas, a little barley, a little rye, or some other material, it reduces the grade.

Senator NORRIS. I see your point in that, and I agree with you fully, but at the same time is that the fault of the law?

Mr. JACOBSON. I think it is the fault of the men.

Senator NORRIS. That is what I think.

Mr. JACOBSON. There is no question about that. I asked Dr. Brand this question: "Did not you tell us that No. 1 in Minneapolis should be No. 1 in New York?" "Well," he said—he tried to evade answering, but that was the understanding. They can carry an appeal to the Federal supervisor in Minneapolis, and when the grain goes to New York they can ask for another appeal on it, and another Federal inspector may change that grade from 2 to 4, or the reverse. So you see it is not uniform.

Senator GRONNA. Mr. Jacobson, is it not true that under the old State inspection regulation of Minnesota the milling and baking test was taken into consideration?

Mr. JACOBSON. Surely; we had our own laboratory.

Senator GRONNA. In your judgment, would it be possible for anybody to fix a reasonable standard unless it is based on an actual milling test?

Mr. JACOBSON. That is very true, and there should be some practical men to do the work, as in all laboratories in Minnesota we have our inspectors, and we have what they call the appeal board. If a shipper is not satisfied with the inspection, he can appeal to the appeal board. I was a member of that board for three years, and we had our own laboratory.

Senator NORRIS. The present Agriculture appropriation bill, which is now pending in the Senate, contains an item providing for the establishment of that kind of mill or laboratory, as you call it. Do you not think that will remedy the situation?

Mr. JACOBSON. I do not; not with the men they have now.

Senator NORRIS. Of course that may be; but would it not be necessary with any class of men to have that kind of laboratory?

Mr. JACOBSON. Yes; I think it would help a great deal, but I do not believe—I am not criticizing Dr. Brand.

The CHAIRMAN. Is it not your idea that they have more theorists than practical grain men?

Mr. JACOBSON. Yes.

The CHAIRMAN. I know that is what you mean, and I do not believe there is any harm in saying so.

Mr. JACOBSON. I know something about wheat, and I can tell what kind of wheat it is. I can tell whether it is velvet chaff, Minnesota 169, Durham, or blue stem. I can tell all those kinds of wheat. A practical man can look at wheat and tell what variety it is.

Senator GRONNA. Yes; but there is still a provision in the law that foreign matter must be taken into consideration?

Mr. JACOBSON. Surely.

Senator GRONNA. Now, rye is foreign matter, but if you were permitted to fix the standard based on a milling test that would not be taken into consideration, would it?

Mr. JACOBSON. Oh, no.

Senator NORRIS. But it would not do to say that under no circumstances should foreign matter be taken into consideration, because it might be foreign matter that would detract from the value of the wheat?

Mr. JACOBSON. Surely; and that is the reason why a laboratory such as I spoke of would help, by showing what there was in the flour.

Senator NORRIS. Let me put this in the form of a question. Assuming that we have the laboratory and we have the men competent to administer the law, would not that remedy the situation?

Mr. JACOBSON. Yes; it would, to have practical men to administer the law.

Senator NORRIS. Of course, no matter what the law is, if you do not have the proper men to administer it, it will fail?

Mr. JACOBSON. Well, there is Oklahoma and all these States that raise over 100,000,000 bushels of grain. I think it would satisfy the farmers and shippers of all these States if they could come down here and meet in groups—for instance, the Northwest raises such and such a grain, and the Southwest raises such and such a grain. Now, the men that would represent those States—practical grain men—would know more about the grain than these men down here.

The CHAIRMAN. Would you have these men come here periodically? It would not be necessary for them to stay here all the time?

Mr. JACOBSON. No, sir; just meet once a year to promulgate the grades.

The CHAIRMAN. Have you that resolution here?

Mr. JACOBSON. Senator Gronna, I think, has it.

The CHAIRMAN. I would like to put that into the record.

Senator GRONNA. You mean the bill you prepared?

Mr. JACOBSON. Yes.

Senator GRONNA. I have a copy of it in my office.

The CHAIRMAN. Do you have any knowledge, Mr. Jacobson, as to the prospect for the normal seeding of wheat this spring in your State?

Mr. JACOBSON. I think it will be probably less than it was last year, I am sorry to say.

The CHAIRMAN. Why?

Mr. JACOBSON. Just because the farmers feel this way, that they can get better prices for the coarse grains.

The CHAIRMAN. How much corn can they raise per acre?

Mr. JACOBSON. Of course, it is only the southern part of the State that raises corn, but my district, for instance, the ninth district of Minnesota, is the heaviest wheat-raising district in the State. I have traveled a good deal up there, and I know that when they get such a big price for rye and barley as they get now they will naturally sow more of the rye and barley.

Senator NORRIS. Would you think it advisable under those circumstances, for Congress to change the law they passed last summer fixing the minimum price at \$2? Do you think it would remedy the situation?

Mr. JACOBSON. When the price committee met in Washington I telegraphed to our Senators that the price ought to be fixed at \$2.50 at the terminal for No. 2—not on No. 1—and let the millers pay a

premium on the No. 1 wheat. I believe that \$2.50 would be all right for No. 2. And my reason for that, gentlemen, was because in the Federal grain act No. 1 calls for $13\frac{1}{2}$ per cent moisture. Now, any man who is familiar with grain knows that shock-stacked grain contains from 13 to 14 per cent moisture. From our Minnesota tests we know that the wheat that contains 15 per cent moisture will keep in good condition in a warehouse for a year or more, and I do not see why the Government should be so strict in fixing it at exactly $13\frac{1}{2}$ per cent.

The CHAIRMAN. That is really an imaginary grade, is it not?

Mr. JACOBSON. Yes; there is hardly any such thing. Of course, this last year happened to be a dry year. I have lived there since 1885 and in all the years that I lived there I do not remember of having seen such a dry year. Now, under the Federal grain act No. 2 wheat must contain $14\frac{1}{2}$ per cent moisture; if it contains 14.6 per cent it drops down to No. 3 or No. 4.

The CHAIRMAN. Without a corresponding diminution in real flour value of the wheat?

Mr. JACOBSON. Why, there is not a miller that grinds flour when he gets dry wheat like that who does not dampen the wheat himself up to 15 per cent. I went into one of the mills in Fergus Falls, where my home is, where they have three flour mills, and the head miller showed me that every carload of grain that came in there with 14 per cent moisture, or a little over, they dampened the wheat themselves up to over 15 per cent. I asked Mr. Anderson, "Do you export that flour?" "Surely," he said, "Mr. Jacobson, we export it." "Well," I said, "I just wanted to know, because while I know something about wheat I am neither a chemist nor a miller." So when we had a hearing here on these tentative grades the question was raised about how much moisture grain could carry for export, and Dr. Brand and Dr. Duval were asked the question, but neither of them could answer it. So they asked me, and I got up and said, "I am not a chemist nor a miller, but I will tell you what I have been told." And since then I have gone into it more carefully, and, Mr. Chairman, that is a fact.

Senator GRONNA. If you will allow me to interrupt you there, is it not true that we know, as practical men know and as practical millers know, that the difference in moisture content between $13\frac{1}{2}$ per cent and $14\frac{1}{2}$ per cent does not make any difference so far as the quality of flour is concerned.

Mr. JACOBSON. Surely.

Senator GRONNA. Is it not a fact that the country elevator men must buy wheat which contains more than $13\frac{1}{2}$ per cent? And how are you going to establish that without a milling test?

Mr. JACOBSON. I can only tell you that when Dr. Brand was in Minneapolis he came out with the statement that every elevator man in the country should take the moisture content of every load of grain that he bought. So I asked him, "Doctor, do you know how long it takes to take the moisture content?" He said, "No." "Well," I said, "I understand you were born in Minnesota. How many times have you seen 50 or 60 loads of wheat outside an elevator? It takes half an hour or more to take the moisture content. How many loads could a man buy during the day if he had to do that?" It shows how

unpractical people are when they do not know what they are talking about.

The CHAIRMAN. There is an arbitrary break between 14.5 and 14.6?
Mr. JACOBSON. Yes.

The CHAIRMAN. How much would that diminish the value?

Mr. JACOBSON. From No. 2 to No. 3. That, of course, when the price was set meant a difference of 3 cents. When we came down here in October, I think it was, we went before the Grain Corporation, as I believe it is called, in New York—

The CHAIRMAN. The Wheat Corporation.

Mr. JACOBSON. We took with us about 50 samples. There was Mr. Moore, from Duluth, Mr. Crawley, from Kansas, and several other grain—

The CHAIRMAN. Constituting this corporation?

Mr. JACOBSON. And we showed them our samples of grain, and, of course, being practical grain men, they were astounded to think that grain was graded No. 4 just on account of this foreign material. We asked them to take the price off the No. 3 and No. 4, so that they could compete for this wheat—which they did. That helped us a good deal up there. Of course, it was very late, but they took the price off No. 3 and No. 4, so it has gone up probably a cent on the No. 2.

The CHAIRMAN. This Grain Corporation did that?

Mr. JACOBSON. Yes.

The CHAIRMAN. Tell me then, Mr. Jacobson, would it be possible as a practical matter to have uniform prices to the farmer fixed at his local elevator instead of fixing them at Chicago and then taking the freight out? For instance, the price now is \$2.20 at Chicago. Would it be possible to make that \$2.20 at every elevator where every farmer brings his grain?

Mr. JACOBSON. I do not see why it could not be done.

The CHAIRMAN. I introduced a bill yesterday to amend that section of the food-control law, and I made the local elevator—the real market of the farmer—the base point.

Mr. JACOBSON. I do not see, Senator, why that should not be all right.

Senator GRONNA. What would you say is the maximum cost to the miller, say, in Minneapolis, now for wheat of this year's crop?

Mr. JACOBSON. I could not answer that?

Senator GRONNA. I think you were not present last night when we were talking it over with the chief of the board. He made a statement which I have in writing here, but I will not take time to read it now. I only state that his impression was it was \$2.09, but he said he would allow from \$2.10 to \$2.12. So there is no such thing as a cost of \$2.20 or \$2.21 to the miller.

Mr. JACOBSON. We can easily find that out for you, and I will be very glad to send you a statement.

The CHAIRMAN. Can you give offhand a reasonable guess, Mr. Jacobson, as to the average freight rate per bushel of wheat from Minnesota points to Minneapolis?

Mr. JACOBSON. The average, I would say offhand, is about 6½ cents.

The CHAIRMAN. What would that be to Chicago?

Mr. JACOBSON. Probably 8½ cents, or somewhere along there.

44 INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

The CHAIRMAN. Then, this \$2.20, if the Minnesota figure is based on No. 1 hard, would have to be discounted at least 10 per cent?

Mr. JACOBSON. Yes. Of course, the price really ought to be—well, I will say \$2.20 at Minnesota points. That would be about it.

The CHAIRMAN. Very well, Mr. Jacobson. We are very much obliged to you.

Mr. JACOBSON. I thank you very much, gentlemen.

The Chairman. The committee will adjourn now until 10.30 in the morning.

(Thereupon, at 1.05 o'clock p. m., the committee adjourned to meet at 10.30 o'clock to-morrow, Friday, February 15, 1918.)

INCREASED PRODUCTION OF MEAT AND WHEAT PRODUCTS.

FRIDAY, FEBRUARY 15, 1918.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10.30 o'clock a. m., in the committee room, No. 326, Senate Office Building, Hon. Thomas P. Gore, presiding.

Present: Senators Gore (chairman), Ransdell, Page, Gronna, Norris, Kenyon, and Wadsworth.

The CHAIRMAN. The committee will come to order. I would like to ask if all the members of the committee have read the article in the morning paper by the president of Cornell University. If not, I would like to have it placed in the record.

(The article referred to is here printed in full as follows:)

FEARS FARM PARALYSIS—PROF. SCHURMAN WARNS OF PRICE-FIXING RESULTS ON PRODUCER—SEES DANGER OF STARVATION.

ITHACA, N. Y., *February 14.*

Warning that the Nation "is confronted with the danger of starvation in the next 12 months" and that "the energies of our farmers are paralyzed by price fixing and the fear of price fixing," President Jacob Gould Schurman, of Cornell University, spoke to-day at the farmers' week program at Cornell University on the "Food crisis and the farmer."

President Schurman deplored attempts to regulate the prices of farm products, but urged legislation to end profiteering in the sale of foodstuffs. He warned that the Nation is using up its grain reserves and said he believed the stage has been reached where compulsion should supersede appeals to save food. He appealed to President Wilson and Congress to give farmers a fair chance to stimulate agricultural production.

SOLELY A QUESTION OF SUPPLY.

President Schurman's address, in part, follows:

Of all the great problems of this colossal world war the food problem is now the most important. Man power can be raised by conscription up to the point of exhaustion. The allied lines from the North Sea to Switzerland are piled high with munitions, which the output of French, British, and American factories is constantly augmenting. But everywhere the supply of food is limited, and beyond a very narrow margin you see the edge of an inferno of starving nations. Yet no problem of the war is so much misunderstood.

The simple question is this: Can we keep our own and our allied soldiers and civil population from starvation? It is not all a question of price. It is solely a question of supply.

Legislation can surely put a stop to profiteering in the sale of foodstuffs. If milk goes up a cent a quart and children die in New York City in consequence ought there not be a law to stop it?

WHY SHOULD PRODUCERS BE SINGLED OUT?

But why should the food producer be singled out for the rôle of a public benevolent institution? Why not also the producers of unessential commodities, of amenities, and luxuries?

Why attempt to regulate the prices of farm products? Like other commodities, they will not be produced at all unless the producer gets a price sufficient to cover the cost of production and a fair profit.

Why should anyone want to lay hands on food for the purpose of price regulation? The problem is solving itself in accordance with economic laws with results quite analogous to those we find in the price advances of other commodities.

THAT WAY MADNESS LIES.

Do you want to penalize food producers by compelling them to sell their products at prices relatively lower than other producers? Is that the way to get food to win the war? That way madness lies—utter folly and rank injustice.

We have tried the price-fixing experiment with coal producers and the result is heatless Mondays. We have tried that experiment with the railway companies and the result is a paralysis of transportation. We have tried that experiment with wheat and we have sent the price of corn above wheat, compelling the farmer to feed wheat to his poultry and animals and discouraging him in the planting of winter wheat.

Senator GRONNA. If I may have just a moment, Mr. Chairman. I want to say that I agree with what this gentleman has stated and that, only in a poorer form and a weaker way, I expressed myself to the same effect a year ago. I knew, as a practical man, that it was impossible for men in any industry to keep on producing at a loss, and my fears were that it would mean a loss, and that it would be the greatest possible detriment to the successful prosecution of the war to make a price that would not be compensatory but would be a real loss to those who had to produce.

I think it is only fair to Mr. Hoover to say that he has done as much as any single man possibly could do. I think he has shown marked ability. And anything I say is not said for the purpose of directing any criticism against Mr. Hoover personally, but I am sure it was a most serious mistake to fix any price at all unless a price was fixed on everything. Not only that, but the few of us who opposed that bill, Mr. Chairman, were really characterized as being disloyal. That was one of the great crimes we committed—by calling attention to the fact that there was a possibility of hampering and hamstringing the successful carrying on of this war by limiting production. I simply want the record to show that it was only for the purpose of helping the Government that I called attention to the matter a year or so ago.

The CHAIRMAN. Is Mr. Tomlinson present?

Mr. TOMLINSON. Yes, sir.

The CHAIRMAN. We will hear you now. Will you take the stand?

STATEMENT OF MR. T. W. TOMLINSON, SECRETARY AMERICAN NATIONAL LIVE STOCK ASSOCIATION, DENVER, COLO.

The CHAIRMAN. Kindly state your name and address and your connections with any live-stock or farmers' organizations.

Mr. TOMLINSON. T. W. Tomlinson, secretary National Live Stock Association, 515 Cooper Building, Denver, Colo. I am also engaged in farming and stock raising—farming about 640 acres of irrigated

lands—and interested in some range propositions. I believe I am fairly posted on the general live-stock and farming situation.

The American National Live Stock Association is the national organization of all live-stock producers. We represent cattle, hogs, and sheep. There is, however, another organization, known as the National Wool Growers' Association, which more directly represents the sheep industry than our organization does. Mr. Sykes, who is president of the Corn Belt Producers' Association, is on our executive committee; so also is Mr. Heard, who spoke to you yesterday, and Mr. Lasater, who will probably address you this morning.

I wish first to state that the address of President Schurman, which has just been read, well represents, I think, the sentiments of stock men and farmers throughout the West. We subscribe to that view. Yesterday Mr. Sykes told you of the losses now being suffered by the stock men in Iowa and in the corn belt. I desire to supplement his statement by referring to the situation in some of the other territories. I traveled east from Denver with a Mr. Porter Thompson, who is a range man in eastern Colorado. He is at present feeding 2,500 cattle at one of the beet-sugar factories in eastern Colorado. He has a contract with the sugar factories to furnish him with beet pulp at 50 cents a ton.

Senator NORRIS. Would you mind telling us what factory that is? Is that Fort Morgan?

Mr. TOMLINSON. No, sir; it is in the Arkansas Valley. I do not know whether it is Swink or Holley; that is the reason I did not mention it.

Senator PAGE. You say 50 cents a ton?

Mr. TOMLINSON. Fifty cents a ton. That 50 cents a ton for beet pulp is probably the cheapest feed you can put into live stock; vastly cheaper than hay or silage or any of the grains.

He is finishing his cattle on pulp, alfalfa, and a little cottonseed cake. The cottonseed cake, if I remember correctly, costs him more than \$60 a ton. His alfalfa costs him \$18 a ton on the average, laid down at the sugar factory. These cattle were weighed into the factory there at an estimated price of \$9.50 a hundred pounds, which I regard as fair and reasonable. It is certainly not any more than the same cattle would have netted had they been shipped to any of the large markets of the country, either on the Missouri River or in Chicago.

Senator WADSWORTH. What was their age?

Mr. TOMLINSON. I think they were mostly threes, although he has some twos.

The CHAIRMAN. Did you state the price?

Mr. TOMLINSON. \$9.50 a hundred pounds.

Senator NORRIS. When was that?

Mr. TOMLINSON. He shipped them in in the fall after the grass season was over. I started to say that Senator Wadsworth would probably recognize \$9.50 as a fair price for good feeders at that time.

I asked him what was the probability of his making a profit, and he said that on the basis of the present market, if the cattle were ready to go on the market they would lose him from \$12 to \$15 a head. He also stated that he was through with the feeding game, he did not propose to continue in it any longer. He was probably influenced in

that by the general understanding in Colorado that the beet-sugar factories intended to raise the price of their pulp.

The CHAIRMAN. Do you mean, Mr. Tomlinson, that he was losing money on these cattle, notwithstanding he was utilizing the cheapest possible available feed?

Mr. TOMLINSON. That is the very point I wish to make. He has more nearly ideal conditions for finishing the cattle cheaply than has the farmer in the corn belt. In fact, I doubt if you could pick out a more favorable situation for the production of beef on the cheapest possible basis than those finished on beet pulp in the Colorado or other beet-sugar sections.

Perhaps a word as to the situation with regard to the lamb feeders might be of interest to the committee. You are all perhaps aware that the winter of 1916 was most disastrous to the stock men in the intermountain region. The lamb crop, on the average, was not to exceed 40 per cent. There was a heavy loss of breeding ewes, perhaps from 15 to 20 per cent. The winter was intensely severe, and there were extraordinary prices for hay, grain, and cottonseed cake. Cottonseed cake then commenced its pyrotechnic advances to the present level.

Senator NORRIS. I wish you would give us an idea of just how cottonseed cake has advanced, and what its value is as a material for feeding cattle and sheep.

Mr. TOMLINSON. I believe, Senator Norris, that Mr. Lasater could probably answer that better than I can, but I have no objections to expressing my views on it. Cottonseed cake at the outset—before the stock men commenced to use it—went begging, if my memory serves me right, and it sold around \$15 a ton, did it not, Mr. Lasater?

Mr. LASATER. Yes; that was some years ago.

Mr. TOMLINSON. That was some years ago, and it has grown steadily in favor even with the advancing price. Last year, I think, it was on the average from \$30 to \$40 a ton; perhaps around \$35 would be a fair average for the cost of the cake at the various cottonseed mills throughout the South. It is a highly concentrated feed, sold generally on the basis of 41 per cent protein—41 to 44 per cent being regarded as the standard. On account of the condensed form in which it is marketed it is an ideal product to ship to range points, because of the lesser expense for transportation. A man can get more net results—more nutriment—out of a ton of cake than he can get out of a ton of any other animal feed that he could haul to the range.

Senator PAGE. How does it compare in value with cottonseed meal?

Mr. TOMLINSON. Well, the two are almost synonymous. Some people feed cake and some feed meal. I believe the cake is the best.

Senator PAGE. In New England it is commonly received in the shape of cottonseed meal, and so sold.

Mr. TOMLINSON. For the dairies, I believe, it is perhaps better to have it in the shape of meal, but for throwing out on the range, I believe the cake is the best.

Senator RANSDELL. Is it not exactly the same product, except that one is ground up and the other is in the crude state?

Senator PAGE. They are the same except for that?

Mr. TOMLINSON. I think so; yes, sir.

Senator RANDELL. I can state so, Senator. One is the cake that comes from the press. When you run it through a mill and crush it into a fine form it becomes cottonseed meal, but there is no other material added to it.

Senator PAGE. I had so supposed.

Senator NORRIS. Now, Mr. Tomlinson, I wish you would compare that with corn as to its feeding value.

Mr. TOMLINSON. I believe that some expert feeding man's opinion on that would be better than my own.

Senator WADSWORTH. They are not used for the same purpose, and can not be compared, can they?

Mr. TOMLINSON. No; I do not think so. I would much prefer that some experts would talk of that rather than myself, although I have my own opinion. It depends largely on the price of corn. If you mean per pound, why the statistics of the Agricultural Department, or some of these experiment stations, would really give you more accurate information than it would be possible for me to give. It is used more in some of the feeding sections because of its availability. If a man is near corn, he will feed corn. If corn is extremely high, as it is now, he buys cottonseed cake.

Senator NORRIS. And when they are both high—then he goes fishing, I suppose?

Mr. TOMLINSON. It depends largely on the judgment of the man. Just at present, on account of the embargo on the shipment of cake out of Texas, a man is pretty nearly forced to use other animal feeds. I suppose it is well known to the committee that on account of the very serious drought conditions in Texas and the supposed shortage of cottonseed cake, they would not for a while permit any to be shipped out of Texas. I have had that up in the past day or two with the Food Administration, for the purpose of getting some cake shipped into New Mexico. The drought situation is very acute down there, and we can not even get a promise to ship 150 tons into Albuquerque to save some of the cattle and sheep down in that section. They may be able to get it from Oklahoma, or possibly from Louisiana or some of those States. We can not get it out of Texas. Texas, by the way, has a better inspection system than these other States, and for that reason we get a better quality of cake, or people think they do, and it is in greater demand.

However, I started to speak of this lamb-feeding proposition in eastern Colorado. I should perhaps explain that the finishing of lambs in eastern Colorado is one of the very large industries in that State, and unquestionably much larger than in any other State in the Union. Northern Colorado—which is the Fort Collins, Greeley, and Fort Morgan section—ordinarily finishes from 1,500,000 to 2,500,000 lambs from the range. In the Arkansas Valley and San Luis Valley they probably finish somewhere around 1,000,000. It varies in different years according to the price and the crop situation, but Colorado, it may be stated roughly, has for years finished somewhere around 2,000,000 to 3,000,000 head of lambs annually.

As I explained a few minutes ago, the lamb crop was short. The range men, both cattle and sheep, in the intermountain region suffered tremendously from weather conditions, the high cost of feed, and the loss of their lamb crop and the mother cows and ewes; and

I have no hesitancy in stating that by reason of these tremendous losses the prices that the range sheep men secured for their lambs did not put them in any better financial condition than they were previous to that extremely severe winter.

I make this introductory statement so that you can perhaps understand the trend of my thought when I mention the prices paid for these lambs. There were some lambs contracted for in the range country by speculators at from 11 to 13 cents, but I believe it is conservative to say that the bulk of the lambs that went into the feed lots, not only in Colorado but certainly in Iowa and in Missouri and in Kansas, cost the feeders not less than 16 cents. In many cases that I know of they cost the feeder as high as 18 cents. Now fat lambs are selling on the Chicago market to-day, and substantially on the Missouri River markets, at around 17 cents. The higher price applies mostly to the lighter lambs. The heavy, well-finished lambs are selling at a discount of probably 75 cents or a dollar. In other words, the trade seems to demand a lighter article, and the heavy, better-finished animal is discriminated against.

Senator RANSDELL. You mean about 16 to 16½ cents a pound instead of 17 for the heavier grade?

Mr. TOMLINSON. Yes, sir. Now, Mr. Sykes stated that the losses of lamb feeders in Iowa on the present market would be about \$5 a head. It is my judgment that the feeders in the Colorado section probably will not lose over \$3 a head. But that loss is fearful when you consider the volume of lambs fed in eastern Colorado. If the number fed there is only 2,000,000, the direct loss is \$6,000,000 to the lamb feeders. It probably will not bankrupt these feeders, but it will leave such a taste in their mouths that they won't want to go at the game again very soon.

Senator RANSDELL. Kindly tell us what you feed lambs with.

Mr. TOMLINSON. Mostly alfalfa, hay, and corn; some barley and some emmer. I have 700 on feed that I am feeding on silage, alfalfa hay, and some corn and some winter emmer.

Senator RANSDELL. What is that ensilage made from?

Mr. TOMLINSON. Corn.

Senator RANSDELL. Altogether?

Mr. TOMLINSON. Yes, sir. I do quite a little feeding of different kinds. I raise my own sheep and lambs, so I do not pay this 16 or 17 cents which my neighbor frequently does, and it will not make a great loss to me, because I am in both the range business and the feeding business and I will pull through. I do not want you to understand from what I say that I am a practical farmer; I am not. I am a sort of city farmer, but I have been able to so administer some of my farming operations that it has not taken all the money I have earned from other sources. So perhaps from that aspect I can qualify as a semifarmer.

Senator KENYON. You make enough in the city to run your farm, do you?

Mr. TOMLINSON. I do not cut into my city income so severely as that, although the city farmer is at a very decided disadvantage, particularly when he does not see his farm any oftener than I do.

Senator RANSDELL. Is there not a refuse of the beet that is fed to lambs out in your State from the sugar factories?

Mr. TOMLINSON. The sugar factories feed what are known as old, broken mouthed ewes. Those are ewes which have passed their usefulness on the range, because of the loss of some of their teeth so that they can not graze, but they have their back teeth and can chew this pulp, which is of a sloppy consistency and does not require much chewing. A steer, by the way, will eat about 60 or 75 pounds of pulp a day; you can get some idea from that of the nature of that feed. The sugar factories feed those old broken-mouthed ewes on pulp.

Senator RANDELL. What else do they do with that pulp?

Mr. TOMLINSON. You mean what else the sugar factory does?

Senator RANDELL. Yes; what purpose is the pulp applied to?

Mr. TOMLINSON. The major portion of it is fed right at the factories. They are drying some of it nowadays and shipping it to the farmers. That seems to me to be an economical method, and I highly approve of it. It is a cheap feed, but the expense of drying it and the transportation expense may possibly make it prohibitive at some distant points.

In further response to your inquiry, there is another product of the sugar factories; that is, the sirup. They are putting sirup on ground alfalfa and making a very palatable and exceedingly good feed for dairy cattle or any other kind of cattle. But unless you have got facilities for feeding sirup in your feed lots it is nasty stuff to handle.

Senator RANDELL. Is that a prepared feed? Do you buy it that way, or do you put it on as you feed it?

Mr. TOMLINSON. Both ways. A man that has facilities will spread the sirup over the ground alfalfa in the feed troughs, or he may buy it at the factory already ground and prepared—mixed with the sirup.

Senator GRONNA. In feeding that class of stuff, Mr. Tomlinson, are the animals liable to be afflicted or infected with tuberculosis more than they would be on the range or on hay?

Mr. TOMLINSON. In feeding the pulp?

Senator GRONNA. Yes; pulp and molasses.

Mr. TOMLINSON. No; I do not think so. The only material effect it has on cattle is that it very much enlarges the liver. That is about the only serious effect it has; also the cattle are unusually soft when they leave the feed lots, and we have to finish them on a hard feed, and that is what feeders use the cottonseed cake for. Tuberculosis of range cattle in open-feed lots in the West is not an entirely negligible quantity, but it is vastly less in importance than it is in the dairy sections or in some intensified farming sections where cattle have been used to being housed.

I shall not trouble you to go in extenso into the live-stock situation in other sections, except to say that my statement regarding the losses of sheep and lambs in the range country applies in almost the same degree to cattle—the cattle men experienced the same high price of feed, and the corresponding loss and the inferior condition of the animals in the spring.

In Texas—Mr. Lasater can tell this better than I can—they had a drought, and the loss of the calf crop has been fearful. That same drought condition obtains in a good part of New Mexico and Arizona. I know of a good many herds that have been moved out of there. Mr. Jastro, who was for many years president of our association, shipped 20,000 cattle out of New Mexico into California.

The CHAIRMAN. It seems to me, Mr. Tomlinson, that you and Mr. Sykes have made out a pretty good case as to the narrow margin, and sometimes the submargin as you might call it on cattle. Now, I would like to hear you discuss, and I am sure the committee would, the remedies that you would recommend.

Mr. TOMLINSON. I shall be delighted to discuss that. I think it is a very simple proposition—raise the price.

Before making any statement about the Food Administration, I want to say I have been very closely in touch with Mr. Hoover and knew him before the law was passed creating the office of Food Administrator and before he was appointed. When he first took up these food problems I was here with a number of committees discussing with him the situation. He wanted to have our views and we gave them to him, and to some extent he has followed our recommendations. I regard Mr. Hoover as a very high-minded man. I believe he is trying to handle the problem according to his lights. And Mr. J. P. Cotton, who is chief of the meat division, a New York man, is probably as capable a man as could be appointed to that job.

The CHAIRMAN. Is he an experienced live-stock man?

Mr. TOMLINSON. No; he is not; he is a New York lawyer.

The CHAIRMAN. Has he had any experience in farming that you know of?

Mr. TOMLINSON. None at all that I know of. Mr. Hoover, I believe, tried to find some one who would be more familiar with the problems—tried to find, as he expressed it, some packer that he could rely on, but failing in that, he put in Mr. Cotton.

The CHAIRMAN. You say he is, you think, as good a man as Mr. Hoover could have found?

Mr. TOMLINSON. Well, I rather think so; yes, sir. I think Mr. Cotton is a very capable man.

The CHAIRMAN. That eliminates any possible remedy on that score then. I want to get that in the record.

Mr. TOMLINSON. Yes; that eliminates any question as to the personnel. Some members of our association may not agree with me in this, but you asked me for my personal opinion and I am giving it to you.

Now, last fall at a number of conferences, and publicly and in documents sent out by the Food Administration, and even by the President, who issued the appeal to the farmers and the stockmen that they produce more foodstuffs—that food was the main essential in winning this war—the Food Administration has at diverse times and in different ways assured the farmers and stockmen that they could rely upon a reasonable profit. The Food Administration pointed out world statistics as to meat products, demand, etc., and drew a fine-spun argument that the farmers and stockmen need not be at all fearful of not receiving a profit, and, inferentially, pledged the support of the Food Administration, so far as it lay within their power, to protect the farmers and stockmen.

Now, after all those assurances and pleas of different kinds, here we are confronted with the first actual demonstration of the working of the Food Administration, when a large proportion of the live-stock producers of this country are not only not getting a profit, but are facing an absolute and tremendous loss.

To be fair to Mr. Hoover, I should explain that he claims that he has not the power to influence the present cattle prices toward a more remunerative or profitable basis. I do not accept his statement as being entirely correct. The committee knows that last fall Mr. Cotton, after conferences with stockmen—and I was present at many of the conferences—established a minimum price of $15\frac{1}{2}$ cents per pound until further notice on the average of packers' drovers of hogs on the Chicago market. Some of us felt that the average ought to be higher. I stood, I think, for 16 or $16\frac{1}{2}$ cents. Parenthetically, I might also say that I was never very favorable to the ratio which he fixed. I have no objection to stating my views, but it is hardly necessary and it will take up time. I believe I can state, however, that it is the general consensus of opinion of stockmen that the $15\frac{1}{2}$ cents minimum was a fair one and would result in maintaining the present production and possibly even increasing it. That was the general opinion when the minimum was established. Conditions may have changed so as to incline others to a contrary belief, but I do not wish to change my view on it. I believe that on the average a $15\frac{1}{2}$ -cent minimum will pay fairly satisfactory returns to the hog men of the country.

The CHAIRMAN. Are you raising hogs, Mr. Tomlinson?

Mr. TOMLINSON. Yes; I raise some hogs.

The CHAIRMAN. How many have you now?

Mr. TOMLINSON. Oh, I have a few. I sold off most of my hogs last fall, right off the alfalfa and at 15 cents a pound, and naturally, being raised entirely on alfalfa with very little grain, they showed a good profit.

Senator GRONNA. Has the Government fixed a price on dressed beef?

Mr. TOMLINSON. I was just coming to that.

Mr. JOHN A. SIMPSON (president Oklahoma Farmers' Union). May I ask, do you know how many bushels of corn it takes to make 100 pounds of pork?

Mr. TOMLINSON. Not from actual knowledge, because I have never fed 100 bushels of corn to see what it would make. I have been present at most of these conferences when all these experts agreed on what it ought to take, and I have read a good many publications of the different experiment stations throughout the country. You probably know the very celebrated report written by Mr. Evard, of the Wallace committee, wherein they recommend, I think, 14.3 as being necessary to give a stimulation of from 15 to 20 per cent, and, I think, 13.3 to maintain present production.

Mr. SIMPSON. If that is right, then you will not want to go on record as saying that $15\frac{1}{2}$ would pay a man to fatten hogs?

Mr. TOMLINSON. I said on the average. I was speaking of the hog production of the country.

The CHAIRMAN. On the 13.3 basis hogs would have to sell at \$22.75 with corn at \$1.75 in order to come out?

Mr. TOMLINSON. Yes, sir.

The CHAIRMAN. Is not that about the price of corn now?

Mr. TOMLINSON. At Chicago that is about right; yes, sir.

The CHAIRMAN. I believe it was a little higher day before yesterday. And yet you still think the \$15.50 is enough?

Mr. TOMLINSON. It may not be enough in these corn-belt States, where they have not put on some of the weight on grass or some kind of pasture. I have in my pocket a letter from a hog producer out in Iowa complaining of the \$15.50. The average price of hogs has been slightly above that since that ratio was established.

Senator NORRIS. Mr. Tomlinson, do you not base your figures somewhat on your own experience with hogs, and have you not been feeding hogs under the most favorable conditions to the feeder?

Mr. TOMLINSON. Unquestionably I operate under favorable conditions.

Senator NORRIS. And what would be a good price for you, where you feed them on alfalfa and did not give them anything but alfalfa, would apply to all other men situated as you are, where they have the alfalfa, but it would not apply at all, would it, in regions where they do not have the alfalfa?

Mr. TOMLINSON. No; it would not.

Senator KENYON. Do you know anything about raising hogs on corn?

Mr. TOMLINSON. Well, I feed a good deal of corn, because I raise some.

Senator KENYON. You do not raise very many hogs on corn?

Mr. TOMLINSON. No; we can raise them more economically in an alfalfa field.

Senator KENYON. Do you understand the raising of hogs on corn?

Mr. TOMLINSON. Only, perhaps, from a scientific or theoretical standpoint—what I hear from talking with farmers. Mind you, Senator, my statement was confined to the average throughout the country. I know how they raise hogs up in Idaho, how they raise them in California in the Imperial Valley, and in Colorado, and, to a certain extent, in the corn belt, and I am still willing to stand on my statement that on the average throughout the country the people are fairly well satisfied with the 15½ cents.

Mr. ED. C. LASATER. What per cent of the hogs in the country are raised outside of the corn belt. Mr. Tomlinson?

Mr. TOMLINSON. A very small per cent. Iowa is the big hog-producing State of the Union. It raises one-seventh of all the hogs in the United States, and probably one-tenth of all the hogs in the world. It is the premier live-stock producing State of the world.

Senator KENYON. Yes; we are going along very nicely now.

Senator GRONNA. Would you object to my asking Mr. Sykes how many pounds of pork a bushel of corn will make? I have an idea that probably he knows.

Mr. TOMLINSON. Not at all.

Mr. SYKES. I would say it would take 12 bushels to make a hundred pounds of pork; that is, general average. It will not do it this year.

Mr. TOMLINSON. As to this hog situation, a good many hogs are raised in the corn belt by following cattle. They utilize the waste products that come from the cattle. But when you get down to figuring hogs on a ratio you are not on the soundest foundation, because you do not take into consideration all the factors. I do not know what percentage of hogs in Iowa ordinarily follow the cattle, but it is an appreciable percentage, is it not, Mr. Sykes?

Mr. SYKES. No; not when you come to compare it with the total number of hogs produced there.

Mr. TOMLINSON. It is an appreciable percentage, is it not?

Mr. SYKES. Oh, yes; I should say it is 25 per cent.

Mr. TOMLINSON. Of course, a man can raise hogs much cheaper that way than by feeding the corn directly?

Mr. SYKES. Yes; that is true.

Mr. TOMLINSON. That is what I had in mind. There are so many factors in this that taking them all together they are the basis on which I rest my opinion.

The CHAIRMAN. Mr. Tomlinson, will you kindly state the remedies you have in mind?

Mr. TOMLINSON. I just want to refer to one other question, inspired by the question of Senator Gronna, and that is as to whether the Food Administration is exercising any power over beef prices. I believe you referred to that, Senator Gronna.

Our total production of meat products in this country for, say the fiscal year ending June 30, 1917, was about 22,000,000,000 pounds. Roughly, 12,000,000,000 pounds of that is pork products. Something over 8,000,000,000 of that is beef products. The balance is made up of sheep, goats, and calves. Of our hog products we exported for the year ending June 30, 1917, about 13 per cent. Of beef we exported but 5 per cent, and I should say that last year was above the average of previous years. The composite average was less than 10 per cent.

Senator PAGE. The 10 per cent applies to hogs?

Mr. TOMLINSON. To everything. That is for the year ending June 30, 1917. We have not in recent years exported much mutton. There was some exportation a decade ago of live sheep, heavy mutton; but there has never been any appreciable trade in the carcass mutton for export. Hog products have always constituted the majority of our exports of meat products, and always will, because we raise the bulk of the corn crop of the world. Our exports of pork products have somewhat increased during the past few years.

Now, the control which the Food Administration exercises through the medium of its buying for the allies and the civilian population abroad and the neutrals and the Red Cross and our Army and Navy gives them a very firm control over prices, and I believe that neither Mr. Hoover nor Mr. Cotton felt they were taking much chances when they fixed 15½ cents on hogs as a minimum.

I want to digress for just a moment to state that it was the general feeling of hog men and practical stock men that this winter's crop of hogs would have come nearer selling at 25 cents than it would at 15 or 16 cents had there not been some artificial control of the markets through the Food Administration.

The CHAIRMAN. Just how do they exercise that control?

Mr. TOMLINSON. That is something I do not know. As against everybody's expectations, in spite of the tremendous exports and the keen demand from consumers in this country, we find live stock on a declining basis; hogs have gone down 5 or 6 cents from the high point, when every indication pointed to a higher market. The Food Administration probably has control to-day of 20 per cent of the total hog production in this country. I believe it has been stated by some of the officials that they buy around 20 per cent. Now, that is enough to fix the price, unquestionably. I hope I am not incorrect in

stating that I had been told by some member of a committee that the Food Administration was now purchasing about one-tenth of the total beef production in this country. So it does seem to me that if they purchase that percentage it lies within their power to control prices. It is the price of the surplus, we have always been told, that makes the price of the whole. They could exercise that power to maintain higher prices if they were so disposed.

The CHAIRMAN. There is an embargo on the exportation of meats?

Mr. TOMLINSON. I do not quite follow your question.

The CHAIRMAN. I say, does the embargo apply to meats?

Mr. TOMLINSON. Yes; to enemy countries and some neutrals.

Senator GRONNA. There is this distinction to be observed, Mr. Tomlinson, in connection with the theory you have just mentioned, that it is the surplus that controls the price. Under a restricted price the surplus would, of course, control the price, but the export of the surplus in an unrestricted market might not control the price. I think there is a difference in that.

Mr. TOMLINSON. I recognize the shade of difference.

The CHAIRMAN. As between having an outlet for the surplus and not having an outlet for the surplus, to send it abroad would increase the price, as compared with controlling it back of the domestic market.

Mr. TOMLINSON. Coming back to the point which I was aiming to discuss, some of us met Mr. Hoover the other day; in fact, we have met him quite frequently; we are on good terms with him and Mr. Cotton, and we want to be; we want to assist them all we can. We told him the situation as to the immense losses in Iowa. Mr. Sykes was along, so was Mr. Heard. We brought up the question whether he did not have it in his power to stiffen up these cattle prices so as to save these fellows from a part of their losses and make good the pledge that was given us last fall. I gathered from his reply that he felt that such action would mean higher prices for the consumers, and that was a consideration which transcended in importance the interests of the producers.

Now, that is the issue on which I at least differ fundamentally with the Food Administration—that is, assuming that I correctly caught their viewpoint. If food is to win the war or is to be a substantial factor in winning the war, it is beyond denial that these producers must get the cost of production or they will not continue in business. You can not draft a man to produce. He has got to be satisfied. Mr. Sykes and Mr. Heard both spoke about the discontent among the producers. There is no use deceiving ourselves about that; it is a fact.

Now, I do not want to convey to you the idea that every producer is going to get out of the game because he does not get a profit. So long as our present agricultural methods are in vogue, so long as we raise big forage and coarse-grain crops, there is no way to market them except through live stock, and stock men and farmers, most of them, will have to continue in the business. But I think there is a margin; possibly 25 per cent of them may quit the game unless they receive some satisfactory profit. Now, can we stand a reduction in our meat products of 25 per cent?

The CHAIRMAN. That wipes out the surplus?

Mr. TOMLINSON. Oh, yes, sir.

Senator GRONNA. Is it not largely a question of whether or not they are able to carry it on?

Mr. TOMLINSON. Certainly.

Senator GRONNA. I know it is true in the grain business that many of the farmers are conducting their farming operations upon borrowed capital, and I take it many of those who feed cattle have to borrow money also.

Mr. TOMLINSON. They are the largest borrowers in the country.

Senator GRONNA. And so it is not a question of whether they are willing or not, but whether they are able?

Mr. TOMLINSON. Yes, sir.

Senator RANDELL. What percentage of our meat products do we export?

Mr. TOMLINSON. About 9 per cent. Our exports of hog products for the fiscal year ending June 30, 1917, were around 13 per cent.

Senator RANDELL. That is the general average of all the meat products?

Senator PAGE. Of the hog products.

Mr. TOMLINSON. Let me state it again. Our exports of beef products for the fiscal year ending June 30, 1917, compared with the assumed total production, was approximately 5 per cent. Our exports of hog products was between 13 and 14 per cent. The average of all products was a little over 9 per cent.

The CHAIRMAN. I gather from the gist of your remarks that you think there ought to be a higher price paid for the finished product in order to stimulate production?

Mr. TOMLINSON. Not only in order to stimulate production, but even to maintain production.

The CHAIRMAN. What is your suggestion on that point? It seems to be in the hands of Mr. Hoover, at least up to date.

Mr. TOMLINSON. Put prices on a basis that will yield at least the cost of production to the men who responded to the President's appeal for increased production.

The CHAIRMAN. How can that be done?

Mr. TOMLINSON. I think the Food Administration has the power.

The CHAIRMAN. Has anybody else the power?

Mr. TOMLINSON. I do not believe they have, unless the Federal Government wants to exercise that power through special legislation.

Senator WADSWORTH. You say they have the power to raise the prices of beef and pork?

Mr. TOMLINSON. I think they recognize that they have, Senator. There is not any doubt that somebody had the power to put prices down, and whoever had the power to put them down has the power to raise them.

Senator WADSWORTH. What would be your opinion of the proposal to let the whole thing alone?

Mr. TOMLINSON. Well, I want to revert to a little ancient history in connection with that. Before Mr. Hoover was appointed Food Administrator there was a committee of cattlemen down here, and the general consensus of opinion was that it was best to leave things alone, that monkeying with prices was a very dangerous experiment and inexpedient. I think they were unanimous on that. I have never been personally in favor of this Food Administration scheme—so far as the producer is concerned, mind you. Note that distinction.

Food Administration, as I conceive it, means probably a lowering of prices, and certainly the use of all power to prevent any advance.

The CHAIRMAN. Has your experience confirmed that judgment?

Mr. TOMLINSON. I think it has; yes, sir. I was never very sympathetic with the proposition, but I realize there are more consumers in this country than producers.

The CHAIRMAN. But in the long run if you depress the price to the producer and drive him out of business, is not that the worst affliction you could visit on the consumer?

Mr. TOMLINSON. Yes. Our association has felt that these violent fluctuations in the market were the most baneful influence we could suffer from. Let me refer to a concrete example. The State of Idaho got into the hog business up in the Northwest, and the same is true of Washington and Oregon. There were a lot of emissaries sent out telling the people to raise hogs; that that was the best thing they could do to make their farms pay. Well, they enticed a lot of farmers into the hog game. Then—I think it was the fall of 1914—somebody, presumably the packers, put a horrible crimp in the hog market.

Mr. LASATER. It was in 1915, Mr. Tomlinson, if you please.

Mr. TOMLINSON. I think it was in 1914, Mr. Lasater. They put hogs down so you could not sell them at over 4 cents a pound in the country. Then the people up in Idaho simply knocked their little pigs in the head; they could not afford to feed them. Hogs in Iowa at that time did not bring more than 5½ cents, did they, Mr. Sykes?

Mr. SYKES. I think not.

Mr. TOMLINSON. Following that we had a shortage, and prices ascended to 21 cents. Now, they have gone back to 16. If it does not pay the Iowa farmer to raise hogs on this basis, you will have a repetition of the same experience—there will be a shortage, and hogs will go up to 25 or 30 cents.

The CHAIRMAN. The point I want to make is this, that if the producer does not produce the consumer can not consume. That is tolerably clear, is it not?

Mr. TOMLINSON. Oh, yes; that is axiomatic.

The CHAIRMAN. And if you put the price of products down below the cost of production, the producer will quit, will he not?

Mr. TOMLINSON. Yes, sir.

The CHAIRMAN. So the consumer will not have anything to consume at any price?

Mr. TOMLINSON. Yes, sir.

The CHAIRMAN. That is the fundamental difference that divided the Senators last year. Some of them thought that consumption was the important factor, and others thought that production was the important factor.

Mr. TOMLINSON. Well, you had two bills—one a production bill and the other a distribution bill. Government publications were filled with statements as to the great profits that the stockmen were practically assured of if they would enlarge their operations and take hold, and now we are up against the fact that they are losing and becoming discouraged and unquestionably will not produce again in the same proportion.

Senator WADSWORTH. You have not yet answered my question. What do you think of the proposal to let the whole thing alone?

Mr. TOMLINSON. I would much prefer a proposal to let the whole thing alone rather than this partial regulation simply in the interest of one class against the other. I have taken the position that it was better to leave the whole thing alone. Bear in mind, there is a well-grounded belief that the Food Administration is not letting it alone.

Senator NORRIS. In order to let it alone we would have to stop the work of the Food Administration—to take away some of their powers?

Mr. TOMLINSON. That is the point. We feel they are exercising what power they have got toward cheapening things. That may be a little unfair to Mr. Hoover and Mr. Cotton; undeniably they put that hog minimum in to stimulate the production, and they honestly and conscientiously thought they were going to secure an increased production of hogs. Time alone will tell whether their idea was correct.

The CHAIRMAN. I would like to call your attention to this: In India, on one occasion, the Government fixed the price of wheat, if not below the cost of production, too low. The people lived riotously every day, and that condition was followed by a famine. They ate the stuff up.

Now, Mr. Tomlinson, we have several other witnesses. Have you about concluded?

Mr. TOMLINSON. I have consumed altogether too much time. I simply want to advert to one point. Live stock is the foundation of our agricultural prosperity in this country. There is no denying that. You have got to raise live stock in the State of Iowa or you can not raise any corn. It is necessary for the fertility of the soil. You can not overturn the agricultural conditions in this country without so seriously disrupting things that it will be a national calamity. I do not think we are getting on to a famine basis, but we certainly are confronted with a tremendous shortage in live stock, unless some remedy is evolved either by the Department of Agriculture or by the Food Administration for this present deplorable situation. Now, it does seem to me—and this is said in no feeling of captious criticism—that there is not the proper kind of co-ordination between the Department of Agriculture and the Food Administration. I do not know whether there is jealousy or not, but they do not seem to have any team play, and until that is brought about and some national live-stock policy or lack of policy is announced, we will be drifting from bad to worse.

Yesterday there were some questions raised as to the establishment of retail markets. In that connection I wish to quote the recommendations made by certain members of the live-stock industry at a meeting held here in, I believe, the latter part of September, 1917. Secretary Houston and Food Administrator Hoover called a meeting of the important live stock men here on September 5, 6, and 7, and as a result of that conference a live-stock industry committee was appointed. That committee conferred then with Mr. Hoover, and later at his request came on here. I will only read the paragraph relating to the establishment of retail markets on a different basis than at present. It is as follows:

We also recommend the establishment in the principal consuming centers of public retail markets operated by the Government, or by private agencies under public supervision, at which the consumer who pays cash and does

his own delivering may buy meats and animal food products at the actual wholesale cost, plus a small fixed profit. Such markets should be established to accomplish what can be done in this way to stabilize the prices to the consumer.

That, together with many other recommendations, were submitted.

The CHAIRMAN. Can you print that statement with the list of your recommendations?

Mr. TOMLINSON. I can print the entire document.

The CHAIRMAN. It may be too voluminous.

Mr. TOMLINSON. It is about six pages.

The CHAIRMAN. I should be glad if you would attach it to your statement in the record.

Mr. TOMLINSON. Mr. Hoover did not think that with his limited power he could adopt this recommendation.

The CHAIRMAN. His "limited power"? [Laughter.]

Mr. TOMLINSON. He felt, and we well knew, that it would require some drastic action to force packers into that. They do not view this kind of a lemon with satisfaction. In other words, they do not want to go into the retail business for themselves. There is great merit in that recommendation.

Yesterday there was some reference made to the rules and regulations under which the packers were now operating—that is, the license rules and regulations. I do not care to discuss that, but I have brought a copy with me.

The CHAIRMAN. We will print that in connection with your statement.

Mr. TOMLINSON. If you want me to put it in the record, I shall be glad to do so.

Just one or two other points and I will close. The American National Live Stock Association, in addition to passing some resolutions which were presented to you yesterday, also asked for increased appropriations for the destruction of predatory animals. That request is contained in resolution No. 16, which, with your permission, I will have printed in the record.

Senator WADSWORTH. Does that refer to prairie dogs?

Mr. TOMLINSON. No; this refers to wolves, coyotes, and mountain lions, Senator. It is a conservation measure. There are great losses on account of wolves, mountain lions, and coyotes in both the sheep and cattle industries. We think a small expenditure, say \$250,000, would more than repay the Government.

The CHAIRMAN. What do you estimate the losses to be from that source?

Mr. TOMLINSON. It has been variously estimated at from \$15,000,000 to \$30,000,000 annually.

Senator KENYON. That is in the Agricultural appropriation bill that is now before the Senate.

Mr. TOMLINSON. Yes; but that does not provide for enough, Senator. This predatory animal proposition has been handled differently in different States. Some have handled it by a bounty system. The Government is proceeding through the Biological Survey. The fundamental objection to the bounty system is that what a man gets depends upon the number of animals he can catch, and if he catches a she wolf or she coyote he lets her go so that she may still furnish him something to make a living on.

I desire to thank the committee. I shall be in town quite a while, and if there is anything I can do to help solve these problems I hope I may have the opportunity. I do not know whether this Food Administration problem can be solved or not; it seems to be a riddle.

The CHAIRMAN. Let me ask you one more question. An embargo on foodstuffs and the purchase of supplies for our own armies and the allied armies furnishes a very substantial means of control of the market, does it not?

Mr. TOMLINSON. I think so.

The CHAIRMAN. And whoever has that power has a very substantial control of prices?

Mr. TOMLINSON. You are correct.

The CHAIRMAN. Is it your judgment, Mr. Tomlinson, that a system of leasing the public lands similar to the leasing of the forest reserves might be adopted with success?

Mr. TOMLINSON. I do. I have been coming to Washington for the last 10 years on that mission. Unfortunately, Congress seems to think that the western stockman is a land grabber, and everything else that is mean. We have told them time and time again that if there was not a sane settlement of this public-lands question there would be a reduction in the live-stock industry on the range, and that is what has happened.

The CHAIRMAN. There is no reason why the leasing system should interfere with homesteading?

Mr. TOMLINSON. I do not think so.

The CHAIRMAN. It is the fear of that that would probably stand in the way?

Mr. TOMLINSON. We do not want to interfere with homesteading. Remember that grass is the cheapest feed for live stock that God has ever given us, and it should be conserved and utilized to the fullest possible extent.

The CHAIRMAN. Particularly in these times; there can not be any doubt about that. We are very much obliged to you, Mr. Tomlinson (Additional data requested by the committee were subsequently submitted by Mr. Tomlinson and are here printed in full, as follows:)

REPORT BY CERTAIN MEMBERS OF THE LIVE-STOCK INDUSTRY COMMITTEE.

[Submitted to Herbert Hoover, Food Administrator, in September, 1917.]

The undersigned members of the Live-Stock Industry Committee, having been called to the office of the Food Administration and having been asked to consider the suggested terms for licensing the packers and to present a constructive program for stimulating live-stock production, beg to submit the following:

We assume that the purpose of the Food Administration in licensing the packers is to enable the Government to exercise a direct influence on the prices paid the producer for the live stock and the prices paid by the consumer for animal products, to the end that both may be protected so far as practicable under existing war conditions, and that in the purchase and slaughter of live stock and the distribution and sale of meats and animal products the packers may not make unreasonable profits. The license arrangement, therefore, must be such as will give both producers and consumers assurance that the control by the Government is actual and not merely perfunctory. Rules governing it should provide:

1. For a system of accounting with the individual plants which will make it possible to determine their actual profits.

62 INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

2. A system of uniform daily and periodical reports from all the plants which will show the amount and kinds of animal products on hand, the number, weight, the kinds of live stock slaughtered, the sales of meat and animal products; the prices paid for the live stock and the prices received for meats and animal products; the amounts received for by-products and their destination; and such other information as may be necessary to give comprehensive knowledge of the business. All such reports and information to be checked by the Government and given to the public as nearly contemporaneously as possible with the transactions to which it relates.

3. Limitation of packers' profits to a reasonable amount, based as nearly as possible on the capital invested, the method to be determined in the most practical way by competent experts, keeping in mind the desirability of reducing the incentive to unduly influence the prices paid for live stock or the prices received for the products, and giving the packers a fair manufacturing profit and no more. Such fair profits, we believe will be satisfactory to the producers and to the consumers.

Referring to rule 2, suggested by the packers, we are of the opinion that an annual net profit of 3 per cent on the total annual sales of the products mentioned is greater than is necessary or justified.

We believe the adoption of the foregoing will incidentally tend to increase production in so far as it may result in the establishment of fairer conditions at the live-stock markets, and that under the normal operation of economic forces both production and prices would adjust themselves in a reasonable length of time. It is true, however, that in time of war the trend of grain prices is usually unfavorable to the feeding of grains to live stock, and for this reason increased production to cover shortage does not come as quickly as under peace conditions.

We are informed by the Food Administration that the normal operation of the economic forces is to be modified in the following particulars:

- (a) By Government control of exports from the United States.
- (b) By such control of prices as may be found appropriate and practicable for the protection of the consumer.
- (c) By the centralized purchase of large quantities of meat and animal products by our own Government and by other Governments for military and civilian purposes.

(d) By the necessity of an immediate and extraordinary increase of production in the interests of the consumer and the successful conduct of the war.

Such measures as these make necessary something more than the mere licensing of the packers, and compel giving assurances to the producers which would otherwise be unnecessary. It is our belief that in connection with such licensing the following suggestions are worthy of your consideration:

(1) The Food Administration should see to it that all meats and animal products for the United States and our allies will be bought at prices which shall fully cover the cost of production and manufacture, and make certain that such a profit shall be realized by the producer as will stimulate whatever abnormal production it deems essential, bearing in mind that no great increase in production can be brought about unless the average small farmer and feeder of live stock can be assured that under his conditions, now made more difficult by the effect of the war upon labor, feed, and other matters, he will receive a reasonable profit on the increased production he is urged to make.

(2) Cows are usually bred to calve in the spring and early summer. Next summer's crop of beef calves can not be economically finished for market until the fall of 1919 and the winter of 1919-20. An increase in the amount of beef during the next year must therefore come from the cattle of marketable or feeding age during that period. If the survey of the probable supply indicates that it will not be sufficient to meet the needs of ourselves and our allies, we believe it would be possible to increase the supply of fattened cattle by making contacts with feeders to furnish specified numbers of fattened steers each month at prices which would be known and agreed upon at the time the contracts were made. It is not safe to depend upon existing statistics on the number of cattle in the feed lots or to go in during the next three months. A special inquiry should be made, directed to the feeders, who can be located through the commission houses.

(3) Hogs are finished for market at from 6 to 12 months of age. In the corn-belt States most of the pigs come in March, April, and May. The pigs from sows bred this winter will therefore come on the market beginning next September or October. During the past six to nine months the relation be-

tween the price of hogs and the cost of production has caused the marketing of hogs at weights much lighter than usual, and also the marketing of large numbers of brood sows. Because of the high price of corn and the relatively lower price of hogs, corn has been fed more sparingly than usual to last spring's crop of pigs, and they are much lighter than usual at this season. Any increase in the amount of pork and pork products during the next six months must come either from the further marketing of brood sows (which would tend to reduce the pig crop next spring) or from feeding the existing crop of shoats to heavier weights than is usually found profitable. An assured price premium for prime heavy hogs would probably result in a substantial increase in the number of pounds of live hogs marketed during the next six months. The number of hogs to be marketed during that period can not be increased, but the total weight might be increased very much should the feeders be guaranteed the cost of making it.

During the next five months the price of hogs at the central markets should under no circumstances be permitted to go below the cost of production as measured in the value of the corn fed.

The number of sows bred to farrow next spring can be considerably increased if the producer can be assured that the pigs when fattened for market shall sell for prices which will fully cover the cost of production plus a reasonable profit.

To carry out the foregoing, the following are suggested:

(a) Arrangement through the Food Administration of a Government guaranty that the price of next spring's pig crop shall not fall below the actual cost of production plus a reasonable profit. Said guaranty to cover the fat hogs marketed between August 1, 1918, and April 1, 1919.

(b) If a marked increase in the production of cattle and sheep during the next few years is essential and if a sufficient market is assured, a similar guaranty to the producer of cost of production plus a reasonable profit will bring about such increase.

(c) Control of the practices of the commission merchants and traders at the central markets, including their charges for selling live stock.

(d) An investigation of the ownership, control, and operation of the various public stockyards at the market centers and the inauguration of such regulatory measures as may seem necessary.

(e) Provision in the rules governing the packers which shall enforce their compliance with the foregoing policies as to prices and other matters which affect them.

(f) These recommendations are made with the understanding that no action will be taken to influence the price of corn or other grains fed to live stock.

(g) In the creation of the machinery which may be necessary to put these recommendations into effect, it must be kept in mind as a prime essential that it must be of such a character as to secure and retain the confidence of the producer.

We also recommend the establishment in the principal consuming centers of public retail markets operated by the Government, or by private agencies under public supervision, at which the consumer who pays cash and does his own delivering may buy meats and animal food products at the actual wholesale cost, plus a small fixed profit. Enough such markets should be established to accomplish what can be done in this way to stabilize prices to the consumer.

To those who do not understand the seriousness of the situation as to meat supplies the foregoing recommendations may seem to overemphasize the importance of assuring a profit to the producer. We remind all such that such assurance is needed if production is to be stimulated to the extent the Food Administration thinks necessary. If prices for live stock are below the cost of production, an increase in meat supplies can not be hoped for.

RESOLUTIONS ADOPTED AT THE TWENTY-FIRST ANNUAL CONVENTION OF THE AMERICAN NATIONAL LIVE STOCK ASSOCIATION, AT SALT LAKE CITY, UTAH, JANUARY 14, 15, AND 16, 1918.

RESOLUTION NO. 16, Asking for appropriations for destruction of predatory animals.

Whereas we believe that the work of exterminating predatory wild animals and range-destroying rodents carried on under the direction of the Biological Survey during the past few years has been very successful, and under the

thorough organization and efficient plans of that bureau this evil will be largely minimized, if not entirely removed, provided the different States will heartily cooperate with the Federal Government in its plan of work; and Whereas at the present time the fund appropriated by Congress for this purpose is wholly inadequate to meet the real requirements of the Biological Survey in carrying on this work, and on that account the results obtained are not satisfactory in some sections of the West; and Whereas it is our belief that the present bounty laws of the States should be repealed, and in lieu thereof the various States should, through their several legislatures, enact laws appropriating sufficient money to equal the amounts to be expended by the Federal Government in the different States; and that such State appropriations should be expended under the direction of the Biological Survey, to be handled in conjunction with the funds appropriated by Congress; and we further believe that, with adequate appropriations, both by the Federal Government and by the States, the predatory wild animal menace will soon be under control; and Whereas Congress is expecting to make an emergency appropriation to meet food-shortage conditions and to aid in increasing production, and as the extermination of predatory animals is an important factor toward increasing production: Therefore be it

Resolved by the American National Live Stock Association in convention assembled at Salt Lake City, Utah, January 14-16, 1918, That we urge Congress to appropriate the sum of \$500,000, as a part of said emergency appropriation, for immediate use in the extermination of predatory wild animals and range-destroying rodents, and that we petition the various States to make appropriations at least equal to the amounts expended by the Federal Government in the various States, said money, both Federal and State, to be expended under the direction of the Biological Survey; and be it further

Resolved, That we petition Congress to levy a tax upon all dogs in the United States, and, out of the fund thereby created, such portion as may be necessary shall be used for the extermination of stock-killing dogs, predatory wild animals, and range-destroying rodents.

UNITED STATES FOOD ADMINISTRATION—MEAT DIVISION—RULES AND REGULATIONS RELATING TO THE PROFITS OF SLAUGHTERING AND MEAT-PACKING CONCERNS.

I. RULES FOR LICENSEES WITH ANNUAL SALES EXCEEDING \$100,000.00.

ARTICLE I. LICENSEES SUBJECT TO THESE RULES AND REGULATIONS.

SECTION 1. *To whom rules are applicable.*—Every person or corporation shall be subject to these rules and regulations who is required to procure a license for the conduct of his business by the proclamation of the President of the United States, dated October 8 1917, and who shall be engaged in the slaughtering of live stock and the manufacture of products therefrom, and whose aggregate sales during the 12 months ending November 1, 1917, exceeded \$100,000.00. These rules shall take effect as of November 1, 1917.

SEC. 2. *Amendments.*—Amendments to these rules and regulations may be made from time to time by the United States Food Administrator on such notice and in such manner as he shall deem reasonable and fair.

SEC. 3. *Applications by licensees.*—If any licensee desires an interpretation of any matter in these rules or any exception or special ruling relating to his business, he shall make written application therefor to the chief of the meat division, stating fully the facts and the reasons for such application, and licensee shall take no action in such matter without the written authority of said chief.

SEC. 4. *Methods.*—Each licensee is forbidden to make any change in his method of doing business designed to effect or which shall effect or to adopt any business practice designed to effect or which shall effect a rate of profit beyond the limit fixed under these rules.

ARTICLE II. REGULATION OF PROFITS.

SECTION 1. *Classes of business.*—For the purposes of this article the business, investments, income, and profits of licensee shall be divided into three classes, as defined below.

In said definitions the term "business" shall be deemed to include production, slaughtering, manufacturing, preparation, preservation, distribution, transportation, and dealing, and the term "live stock" shall be deemed to mean cattle, calves, swine, sheep, lambs, goats, and kids.

(1) Class 1 shall include—

(a) The slaughtering of live stock.

(b) Business in meats derived from slaughtered live stock.

(c) Business in any other food product in which the value of materials derived from slaughtered live stock constitutes one-fourth or more of the total value of materials.

(d) Business in inedible by-products of slaughtered live stock which have not been elaborated beyond the stage or condition in which it is common for concerns in the slaughtering and meat-packing industry to sell such by-products in large quantities to persons or concerns not engaged in that industry, including specifically, among others, business in hides, wool, and goat hair, whether derived from slaughtered live stock or otherwise.

(e) Business in ice and refrigeration.

(f) The operation of refrigerator cars and other railroad cars used primarily for transporting products of class 1.

(g) Any other business incidental to business of class 1.

(2) Class 2 shall include—

(a) Business in any product which contains no material derived from slaughtered live stock or only insignificant quantities of such material.

(b) Business in any food product in which less than one-fourth of the value of materials consists of the value of materials derived from slaughtered live stock.

(c) Business in inedible by-products of slaughtered live stock elaborated beyond the stage or condition specified in paragraph 1, clause (d), including specifically, among others, business in soaps and other cleansing materials, glue, gelatin, glycerine, ammonia, sand paper, curled hair, gut string, pharmaceutical preparations, leather, commercial fertilizer, products made by the cutting, shaping, or polishing of horn or bone, and products in which the products listed in this clause constitute the principal materials.

(d) Business in packages, labels and advertising material for use in connection with business falling under class 1 or class 2.

(e) The operation of cars used primarily for transporting products of class 2.

(f) Any business not specifically falling in class 1 or class 3.

(3) Class 3 shall include—

(a) The raising, feeding, and fattening of live stock.

(b) The slaughtering of live stock and the manufacture of any product in any foreign country, but the sale in any foreign country of products manufactured in the United States shall not be deemed to fall under class 3.

(c) The operation of stockyards or of banks or of loan agencies or institutions.

(d) Dealing in options or future contracts on any board of trade or exchange.

(e) Any business which has nothing to do directly with food or with products of slaughtered live stock, or with any of the products or business falling under classes 1 and 2, or which does not make use of the distribution and transportation facilities of class 1.

(f) Investments in and income from any corporation or concern specified in section 6, unless otherwise directed by the chief of the meat division.

(g) Any business which may hereafter be withdrawn from class 2 by authority of the chief of the meat division.

(4) The chief of the meat division will, from time to time, determine any question which may arise as to the proper classification of any given business not explicitly described in this section.

SEC. 2. *Departments to be treated as units.*—Unless or until otherwise authorized or directed by the chief of the meat division, licensee shall continue to maintain the departments or divisions of his business which he maintained prior to November 1, 1917, and to handle each class of business, materials, or products within the department in which he was then handling it. In case any one department shall include business falling under two or more classes, the total business of such department shall be treated as falling within one class, to be determined by the said chief.

SEC. 3. *Ratio of profit to investment.*—Licensee shall so conduct his business that the annual profit of business of class 1 shall not exceed 9 per cent of the investment therein, as hereinafter defined, and that the annual profit of business of class 2 shall not exceed 15 per cent of the investment therein, as hereinafter defined; no limitation being placed upon the profit of business of class 3: *Provided, however,* That in no case shall the profit on business of class 1 exceed the limitation based on sales provided for packing concerns having sales of less than \$100,000,000 per year. The limitation of profit in the one class of business is independent of the limitation of profit in the other, and no deficiency in the profit of business of one class shall be made up by so conducting the other as to obtain an excess of profit above the limitation specified.

In case any business is transferred from class 2 to class 3 by authority of the chief of the meat division, such transfer shall, with respect to limitation of profits, operate retroactively for such time as the said chief shall determine that a fair and correct segregation of the profits thereof from the profits of other business of licensee has been made.

SEC. 4. *Profits of separate departments, plants, etc.*—The limitation specified in section 3 shall apply to the aggregate business of licensee in the respective classes, and said ratios of profits to investment need not necessarily be maintained with respect to the business in any particular department, class of materials or products, plant, or locality: *Provided,* That licensee shall not, in fixing the price at which he shall buy or sell or in determining the profit he shall obtain, discriminate as between different departments, kinds of live stock, classes of materials or products, plants, localities, corporations, firms, or persons, to the injury of any competitor or of any live-stock producer or the public, nor shall licensee pursue any practice in the conduct of his business which shall be unjust to competitors, producers of live stock, or the public: *And provided,* That licensee shall correctly segregate the investment and the profits of each branch or department of his business, and in doing so shall be subject to the same rules as are hereinafter provided with respect to segregation between the three classes of business distinguished in section 1.

SEC. 5. *Certain corporations to be treated as departments.*—For the purposes of section 3, any corporation in which licensee holds stock, and which he during the 12 months preceding November 1, 1917, treated as a department of his own general business or concern, or the investment and profits of which, or a proportion thereof, were during said period taken up and treated as part of the investment and profits of licensee's general business or concern, shall hereafter continue to be so treated.

For the purposes of section 3, any corporation whose entire capital stock (directors' qualifying shares not being regarded) is held by licensee shall be treated as a department of licensee's general business or concern, and its total investment and profits shall be included, without duplication, with those of such general business or concern; and licensee shall not, for the purpose of evading the limitation of his profits, transfer stock that he may hold in any such corporation or otherwise divest himself of the ownership of its entire capital stock.

SEC. 6. *Income from other corporations.*—In computing profits for the purposes of section 3, there shall be excluded investments of licensee in, or loans by licensee to, any corporation or concern not falling under the provisions of section 5, and profits, dividends, interest, or other income received by licensee from any such corporation or concern: *Provided,* That the chief of the meat division may, in his discretion, require licensee to treat as part of the investment and profits of his own business or concern a proper proportion of the investment and profits of any such corporation or concern in which licensee is directly or indirectly interested.

SEC. 7. *Investment—how computed.*—(1) In computing his investment in business of classes 1 and 2 for the purpose of the limitation of section 3, licensee shall include only investment owned by licensee and actually and necessarily used in said business, and shall include the following items at their true and correct amount, free from all duplication, and no other:

(a) The actual investment in land, buildings, machinery, and equipment, less whatever depreciation thereof may have been written off by licensee.

(b) The value of stocks of animals, materials, or goods held by licensee.

(c) The amount of cash on hand and of current trade accounts receivable less current trade accounts payable, unless such accounts payable are interest bearing.

(d) Any other class of assets whose inclusion may be authorized by the chief of the meat division.

(2) Unless otherwise authorized or directed by the chief of the meat division, licensee shall calculate the value of the several items specified in paragraph (1) according to the same methods and principles as were used by him during the year preceding November 1, 1917.

(3) The aggregate amount treated by licensee as the investment in business of classes 1 and 2 shall in no case exceed the amount of the capital stock, bonds, bills payable, interest-bearing accounts payable, and surplus and undivided profits of licensee's total business (including, without duplication, the same items for subsidiary corporations treated as part of licensee's business under sections 5 and 6), less his investment properly falling under class 3.

(4) The investment for any given 12-month period shall be taken as the average for the period, and unless otherwise directed by the chief of the meat division said average shall be computed from the amounts of the several items of investment at the beginning and end of each of the several accounting periods as defined in section 10.

(5) The investment shall be separately calculated for each class of business, and licensee shall not for the purpose of increasing his aggregate profit adopt any method or device by which any part of the investment properly attributable to business of one class shall be treated as investment in business of another class.

(6) So far as any form of investment is used jointly in the conduct of business of more than one class, the amount of such investment shall be apportioned among those classes on a fair and just basis: *Provided*, That, unless otherwise expressly authorized or directed by the chief of the meat division, the basis or principle of apportionment shall continue to be that used by licensee during the year preceding November 1, 1917.

Sec. 8. Profits, how computed.—In computing his profits on business of class 1 and class 2 for the purpose of section 3, licensee shall observe the following regulations:

(1) *Existing methods to be continued.*—Except as expressly provided in this section, or as hereafter expressly authorized or directed by the chief of the meat division, licensee shall continue to compute the profits of his business and of the several departments thereof in accordance with the same methods and principles as he shall have employed during the twelve-month period preceding November 1, 1917; and he shall not adopt any method or device which will conceal or understate the full and true profit thereof, or which will divert the profit properly accruing to licensee to any other person or corporation, or which will divert the profit properly attributable to business of one class to business of another class.

(2) *Interest.*—No deduction shall be made from profits on account of current payments or accruals of interest on bonds, notes, bills, or accounts payable or any other interest, for payments or accruals of dividends on any class of capital stock of licensee, or for provisions for sinking funds, nor shall any such payments, accruals, or provisions be charged to operating expenses: *Provided*, That any excess payment of interest on bonds, notes, bills, or accounts payable above a rate of 5 per cent per annum may be charged to operating expenses, said excess to be computed on the basis of the aggregate of such indebtedness of all kinds and the aggregate interest thereon.

(3) *Federal taxes.*—Provisions for or payments or accruals of Federal income, corporation or excess-profits taxes shall not be deducted from profits or charged to operating expenses.

(4) *Transfer values.*—Any material or product transferred by licensee from any department falling under one of the classes distinguished in section 1 to a department falling under another class, or any material or product sold by licensee to or purchased by licensee from any corporation or concern in which licensee is directly or indirectly interested, shall be valued in the accounts at its true and fair market price or market value. Such price or value shall be taken as of the date of the actual physical transfer or delivery, and the time of such transfer or delivery shall continue to be fixed in accordance with the practice of licensee in the year preceding November 1, 1917, unless otherwise authorized or directed by the chief of the meat division. This same rule shall, unless otherwise authorized by the chief of the meat division, be observed in respect to materials transferred from any department to any other department.

(5) *Depreciation.*—Reasonable provision for depreciation of buildings, machinery, and equipment may be deducted, but such provision shall not, except

with express approval of the chief of the meat division, exceed the normal and customary provision therefor heretofore made by licensee, and the chief of the meat division reserves the right to reduce any such provision which he deems excessive.

(6) *Repairs and maintenance.*—Only reasonable expenditures for repairs, renewals, and maintenance of buildings, machinery, and equipment may be charged to operating expenses, and in no case shall additions to or improvements of such property which increase its permanent capital value be charged to operating expenses unless by express authorization of the chief of the meat division.

(7) *Depreciation of inventories.*—No provision or reserve for subsequent actual or possible depreciation in the value of inventories shall be deducted from the profits of any given accounting period, except as expressly authorized by the chief of the meat division.

(8) *Extraordinary provisions and losses generally.*—No extraordinary or abnormal provision, reserve, expenditure, or loss of any kind, not properly attributable to the business of a given accounting period, shall be deducted from the profits or charged to the operating expense of such period without the express approval of the chief of the meat division.

(9) *Inventories.*—In valuing inventories licensee shall, unless otherwise expressly authorized by the chief of the meat division, value them on the basis of market prices, and the true, fair, and full market price or market value at the close of the accounting period shall in all cases be used.

(10) *Overhead expenses.*—Administrative and general expenses not directly attributable to business of any particular class shall be apportioned on a fair and just basis as among business of the three classes distinguished in section 1, and unless otherwise authorized or directed by the chief of the meat division the basis or principle of such apportionment shall continue to be that used by licensee during the year preceding November 1, 1917. This same rule shall be observed as among departments.

(11) *Salaries.*—No unreasonably large or excessive salary or other compensation or bonus paid to any officer, director, stockholder, firm member, or proprietor of licensee shall be treated as part of operating expenses.

SEC. 9. *Relation of profits to sales.*—For the purpose of determining the ratio of profit to sales, under the proviso of section 3, licensee shall observe the methods of calculating sales and profits provided in Article II of the rules and regulations for packing concerns having annual sales of less than \$100,000,000.

SEC. 10. *Profits by periods.*—Licensee shall close his books and determine his investment, sales, and profits at least as often as once in 10 weeks, and at least six times per year, and if licensee has heretofore closed his books at more frequent intervals he shall continue to do so; the interval between such closing time of the books shall be called an accounting period.

The ratio of profits to investment specified in section 3 need not necessarily be maintained with respect to each separate accounting period, but licensee shall endeavor to maintain as nearly uniform profits as practicable, and licensee shall so conduct his business that the profits of the first half of the 12-month period, ending on or about November 1 of each year, shall not exceed the said limitation by more than one-third and that the profit for the entire 12-month period ending at said date shall not exceed said limitation.

ARTICLE III.—REPORTS AND EXAMINATIONS OF ACCOUNTS.

SECTION 1. *Reports.*—Every licensee subject to these regulations shall, within 30 days after the close of each of its accounting periods as defined in Article II, section 10, furnish to the chief of the meat division, reports of his business, in accordance with such blanks and forms as shall be prescribed by said chief; and such reports shall include such information as said chief shall require regarding the entire business of licensee, whether subject to the limitation of Article II, section 3, or otherwise.

SEC. 2. *Transcripts of accounts.*—Every licensee shall, where so required by the chief of the meat division, continue to keep and maintain any given form of accounts or records of his business which he shall heretofore have kept, and shall furnish copies of such accounts or records to the chief of the meat division.

SEC. 3. *Access to books.*—Licensee shall at any reasonable time give to any duly authorized representative of the meat division access to any or all books, records, accounts, or memoranda of his business, for the purpose of verifying

the reports of such licensee or for the purpose of securing any information desired by the chief of the meat division.

SEC. 4. *Report of stock holdings.*—Licensee shall, not later than December 20, 1917, report to the chief of the meat division all holdings of such licensee in the stocks, bonds, or notes of other corporations or concerns, and shall thereafter report any acquisitions of such securities or changes in his holdings thereof.

SEC. 5. *Access to books of subsidiary corporations.*—Licensee shall cause every corporation, whatever the nature of its business, in which he holds half or more of the capital stock, to report from time to time to the chief of the meat division such data regarding its business as said chief shall require, and shall cause every such corporation to give the same access to its books, records, and accounts as is required of licensee under Article III, section 3.

SPECIAL RULE AS TO INVENTORY RESERVE, 1917-18.

Any licensee may accumulate an inventory depreciation reserve under the following regulations:

(1) Such reserve shall be based only on the inventory of pickled, salted, smoked, cured, canned, and frozen meats and lard, and of such meats in process of pickling, salting, smoking, and curing.

(2) It shall be calculated only on the excess of such inventory over the corresponding inventory at November 1, 1917, or the close of the accounting period ending nearest to that date, but it need not be reduced by reason of any reduction in inventory taking place before July 1, 1918, or the end of the accounting period next preceding or ending not more than 10 days after that date.

(3) It shall not exceed 2 cents per pound of such excess.

(4) It shall not continue to be accumulated on any further increase of inventory after the date last above mentioned.

(5) If up to said date licensee shall in his business of class 1 have made less than the rate of profit specified in Article II, section 3, the deficiency may at said date, be deducted from the said inventory reserve.

(6) The entire balance of said inventory reserve at said date shall be carried to the profit of business of class 1, and licensee shall so conduct his business that the profit, including reserve, thus restored to profit on the entire business of class 1 shall, for the year ending on or about November 1, 1918, taken as a whole, not exceed the limit specified in Article II, section 3.

II. RULES FOR LICENSEES WITH ANNUAL SALES OF LESS THAN \$100,000,000.

ARTICLE I. LICENSEES SUBJECT TO THESE RULES AND REGULATIONS.

SECTION 1. *To whom rules are applicable.*—Every person or corporation shall be subject to these rules and regulations who is required to procure a license for the conduct of his business by the proclamation of the President of the United States dated October 8, 1917, and who shall be engaged in the slaughtering of livestock and the manufacturing of products therefrom and whose aggregate sales during the 12 months ending November 1, 1917, did not exceed \$100,000,000. These rules shall take effect as of November 1, 1917.

SEC. 2. *Amendments.*—Amendments to these rules and regulations may be made from time to time by the United States Food Administrator on such notice and in such manner as he shall deem reasonable and fair.

SEC. 3. *Applications by licensees.*—If any licensee desires an interpretation of any matter in these rules, or any exception or special ruling relating to his business, he shall make written application therefor to the chief of the meat division, stating fully the facts and the reasons for such application, and licensee shall take no action in such matter without the written authority of said chief.

SEC. 4. *Methods.*—Each licensee is forbidden to make any change in his method of doing business designed to effect or which shall effect, or to adopt any business practice designed to effect or which shall effect, a rate of profit in excess of the limit under these rules.

ARTICLE II. REGULATION OF PROFIT.

SECTION 1. *Ratio of profits to sales.*—Licensee shall so conduct his business that the profit thereof, or of that part thereof not expressly excluded from this limitation, shall not exceed 2½ per cent of the gross value of sales.

SEC. 2. *Profits of separate branches.*—The limitation specified in section 1 shall apply to the aggregate business of licensee subject thereto. Said ratio of profits to sales need not necessarily be maintained with respect to the business in any particular department, class of materials or products, plant or locality: *Provided*, That licensee shall not, in fixing the price at which he shall buy or sell or in determining the profit he shall obtain, discriminate as between different departments, kinds of live stock, classes of materials or products, plants, localities, corporations, firms, or persons to the injury of any competitor or of any live-stock producer or the public, nor shall licensee pursue any practice in the conduct of his business which shall be unjust to competitors, producers of live stock, or the public.

SEC. 3. *Certain corporations to be treated as departments.*—For the purposes of section 1 any corporation in which licensee holds stock and which he during the 12 months preceding November 1, 1917, treated as a department of his own general business or concern, or the sales and profits of which, or a proportion thereof, were during said period taken up and treated as part of the sales and profits of licensee's general business or concern, shall hereafter continue to be so treated.

For the purposes of section 1 any corporation whose entire capital stock (directors' qualifying shares not being regarded) is held by licensee shall be treated as a department of licensee's general business or concern and its total sales and profits shall be included, without duplication, with those of such general business or concern; and licensee shall not for the purpose of evading the limitation of his profits transfer stock that he may hold in any such corporation or otherwise divest himself of the ownership of its entire capital stock.

SEC. 4. *Income from other corporations.*—In computing profits for the purpose of section 1, there shall be excluded sales and profits of, and interest or other income received by licensee from, any corporation or concern not falling under the provisions of section 3: *Provided*, That the chief of the meat division may, in his discretion, require licensee to treat as part of the sales and profits of his own business or concern a proper proportion of the sales and profits of any such corporation or concern in which licensee is directly or indirectly interested.

SEC. 5. *Certain departments and income excluded.*—In computing the sales and profits of licensee for the purpose of section 1, there shall be excluded sales and profits of, or income from, any of the following kinds of business:

- (a) The slaughtering of live stock and the manufacture of any product in any foreign country, but the sale in any foreign country of products manufactured in the United States shall not be so excluded.
- (b) The operation of stock yards or of banks or of loan agencies or institutions.
- (c) Dealing in options or future contracts on any board of trade or exchange.
- (d) The operation of any retail store or market if wholly separate in its accounts and conduct from any packing plant or wholesale marketing agency.
- (e) Any business which has nothing to do with live stock, food or products of slaughtered live stock.
- (f) The raising, fattening or feeding of live stock.

SEC. 6. *Method of computing sales.*—In determining the value of sales for the purpose of section 1, the value of each sale shall be taken at the gross amount actually received by licensee for the goods sold, from the actual and ultimate customer or purchaser.

In case any department or departments of licensee's business shall be excluded under the provisions of section 5, the value of sales shall be taken to include the value of products transferred from other departments of licensee's business to such department or departments excluded, but there shall be no duplication of sales or of transfers or of sales and transfers.

SEC. 7. *Profits—How computed.*—In computing his profits for the purpose of section 1, licensee shall observe the following regulations:

- (1) *Existing methods to be continued.*—Except as expressly provided in this section, or as hereafter expressly authorized or directed by the chief of the meat division, licensee shall continue to compute the profits of his business and of the several departments thereof in accordance with the same methods and principles as he shall have employed during the 12-month period preceding November 1, 1917; and he shall not adopt any method or device which will conceal or understate the full and true profit thereof, or which will divert the profit properly accruing to licensee to any other person or corporation, or which will divert the profit properly attributable to business subject to limitation under section 1 to business not so subject.

(2) *Interest and similar payments.*—There may be deducted from profits current payments or accruals of interest on bonds, notes, bills, or accounts payable, properly attributable to that part of the business subject to the limitation of section 1; but no deduction shall be made for payments or accruals of any other interest, or of dividends on any class of capital stock of licensee, or for provisions for sinking funds, nor shall any such payments, accruals or provisions be charged to operating expenses: *Provided*, That in case interest is so deducted, there shall be deducted such proportion of the total current interest as the total investment of licensee in that part of his business subject to the limitation of section 1 shall bear to his total investment.

(3) *Federal taxes.*—Provisions for or payments or accruals of Federal income, corporation, or excess-profits taxes shall not be deducted from profits or charged to operating expenses.

(4) *Transfer values.*—Any material or product transferred by licensee from or to any department of his business excluded under the provisions of section 4, or any material or product sold by licensee to or purchased by licensee from any corporation or concern in which licensee is directly or indirectly interested, shall be valued in the accounts at its true and fair market price or market value. Such price or value shall be taken as of the date of the actual physical transfer or delivery, and the time of such transfer or delivery shall continue to be fixed in accordance with the practice of licensee in the year preceding November 1, 1917, unless otherwise authorized or directed by the chief of the meat division.

(5) *Depreciation.*—Reasonable provision for depreciation of buildings, machinery, and equipment may be deducted, but such provision shall not, except with express approval of the chief of the meat division, exceed the normal and customary provision therefor heretofore made by licensee, and the chief of the meat division reserves the right to reduce any such provision which he deems excessive.

(6) *Repairs and maintenance.*—Only reasonable expenditures for repairs, renewals, and maintenance of buildings, machinery, and equipment may be charged to operating expenses, and in no case shall additions to or improvements of such property which increase its permanent capital value be charged to operating expenses unless by express authorization of the chief of the meat division.

(7) *Depreciation of inventories.*—No provision or reserve for subsequent actual or possible depreciation in the value of inventories shall be deducted from the profits of any given accounting period except as may be expressly authorized by the chief of the meat division.

(8) *Extraordinary provisions and losses generally.*—No extraordinary or abnormal provision, reserve, expenditure, or loss of any kind not properly attributable to the business of a given accounting period shall be deducted from the profits or charged to the operating expense of such period without the express approval of the chief of the meat division.

(9) *Inventories.*—In valuing inventories licensee shall, unless otherwise expressly authorized by the chief of the meat division, value them on the basis of market prices, and the true, fair, and full market price or market value at the close of the accounting period shall in all cases be used.

(10) *Overhead expenses.*—In case any department of licensee's business is excluded under the provisions of section 5, administrative and general expenses not directly attributable to individual departments shall be apportioned on a fair and just basis as between such excluded department and other departments. Unless expressly authorized or directed by the chief of the meat division, the basis or principle of such apportionment shall continue to be that heretofore in use by licensee.

(11) *Salaries.*—No unreasonably large or excessive salary or other compensation or bonus paid to any officer, director, stockholder, firm member, or proprietor of licensee shall be treated as part of operating expenses in the determination of profits for the purpose of section 1.

SEC. 8. *Profits by periods.*—Licensee shall close his books and determine his sales and profits at least as often as once in 16 weeks, and at least four times per year, and if licensee has heretofore closed his books at more frequent intervals he shall continue to do so; the interval between such closing of the books shall be called an accounting period.

The ratio of profits to sales specified in section 1 need not necessarily be maintained with respect to each separate accounting period, but licensee shall endeavor to maintain as nearly uniform profits as practicable, and licensee

shall so conduct his business that the rate of profits, expressed on an annual basis, of the first half of the 12-month period ending on or about November 1 of each year shall not exceed the said limitation by more than one-third and that the profit for the entire 12-month period ending at said date shall not exceed said limitation.

ARTICLE III. REPORTS AND EXAMINATIONS OF ACCOUNTS.

SECTION 1. Reports.—Every licensee subject to these regulations shall, within 30 days after the close of each of its accounting periods as defined in Article II, section 8, furnish to the chief of the meat division reports of his business in accordance with such blanks and forms as shall be prescribed by said chief; and such reports shall include such information as said chief shall require regarding the entire business of licensee, whether subject to the limitation of Article II, section 1, or otherwise.

SEC. 2. Transcripts of accounts.—Every licensee shall, where so required by the chief of the meat division, continue to keep and maintain any given form of accounts or records of his business which he shall heretofore have kept, and shall furnish copies of such accounts or records to the chief of the meat division.

SEC. 3. Access to books.—Licensee shall at any reasonable time give to any duly authorized representative of the meat division access to any or all books, records, accounts, or memoranda of his business, for the purpose of verifying the reports of such licensee or for the purpose of securing any information desired by the chief of the meat division.

SEC. 4. Report of stock holdings.—Licensee shall, not later than December 20, 1917, report to the chief of the meat division all holdings of such licensee in the stock, bonds, or notes of other corporations or concerns, and shall thereafter report any acquisitions of such securities or changes in his holdings thereof.

SEC. 5. Access to books of subsidiary corporations.—Licensee shall cause every corporation, whatever the nature of its business, in which he holds half or more of the capital stock, to report from time to time to the chief of the meat division such data regarding its business as said chief shall require, and shall cause every such corporation to give the same access to its books, records and accounts as is required of licensee under Article III, section 3.

SPECIAL RULE AS TO INVENTORY RESERVE, 1917-18.

Any licensee may accumulate an inventory depreciation reserve under the following regulations:

(1) Such reserve shall be based only on the inventory of pickled, salted, smoked, cured, canned, and frozen meats and lard, and of such meats in process of pickling, salting, smoking, and curing.

(2) It shall be calculated only on the excess of such inventory over the corresponding inventory at November 1, 1917, or the close of the accounting period ending nearest to that date, but it need not be reduced by reason of any reduction in inventory taking place before July 1, 1918, or the end of the accounting period next preceding or ending not more than 10 days after that date.

(3) It shall not exceed 2 cents per pound of such excess.

(4) It shall not continue to be accumulated on any further increase of inventory after the date last above mentioned.

(5) If up to said date licensee shall in his business, subject to the limitation of Article II, section 1, have made less than the rate of profit specified therein, the deficiency may at said date be deducted from the said inventory reserve.

(6) The entire balance of said inventory reserve at said date shall be carried to profit and licensee shall so conduct his business that the profit, including reserve thus restored to profit, shall for the year ending on or about November 1, 1918, taken as a whole, not exceed the limit specified in Article II, section 1.

STATEMENT OF MR. A. SYKES, PRESIDENT CORN BELT MEAT PRODUCERS' ASSOCIATION, IDA GROVE, IOWA—Resumed.

Mr. SYKES. Mr. Chairman and gentlemen of the committee, I first want to correct an answer which I made to Senator Kenyon yesterday, not just understanding the import of the question that he directed to

me. It was in regard to whether or not there were or had been any stockmen on the advisory committees of the Food Administration. I did not grasp the import of the Senator's question, and I answered no. I wish to correct that statement, because I knew, of course, that there were a number of stockmen, both from the range and from the corn-belt territory on those advisory committees, but their function was purely advisory; their powers were perfunctory, without any power to do anything or say anything.

The CHAIRMAN. With no power but to give advice?

Mr. SYKES. Only to suggest; that was all, not even to advise.

Senator GRONNA. Do you have any objection to giving the names of those men, Mr. Sykes?

Mr. SYKES. I think Mr. Heard named a number of them here yesterday. From our own State there was Mr. Henry Wallace, and Prof. Evert, of the agricultural college. I know those two men from our own State.

The CHAIRMAN. Do you know whether Mr. Henry Wallace is in full harmony with the price-fixing policy?

Mr. SYKES. I do not think Mr. Wallace is, from the way he has expressed himself to me.

The CHAIRMAN. I based my judgment on his editorials.

Mr. SYKES. Mr. Wallace was chairman of the meeting at Waterloo, which I told you about yesterday, and appointed a committee there that worked out this ratio. I was a member of that committee, and we fixed the ratio at 14 to 1; that is, we thought that was fair and reasonable.

Senator NORRIS. Before you finish dealing with this advisory committee will you state who selected the members?

Mr. SYKES. My understanding is that it was Mr. Hoover, Senator.

Senator NORRIS. I supposed, of course, he would select them.

Mr. SYKES. That is my understanding.

Senator NORRIS. But did the stockmen and the farmers advise him as to whom they wanted on the advisory committee to represent them?

Mr. SYKES. So far as I know, there was no petition sent in naming or suggesting anybody.

Senator NORRIS. The various associations took no action on that proposition?

Mr. SYKES. Well, I am not familiar enough with it to know. The Corn Belt Beef Producers' Association did not. I can speak for them, but as to the other associations I can not.

Senator NORRIS. Were you requested to make any suggestions or recommend anybody for the advisory committee?

Mr. SYKES. Yes, sir; we were consulted in regard to the matter.

Senator NORRIS. If you were asked to recommend somebody, why did you not act upon that suggestion?

Mr. SYKES. As an association?

Senator NORRIS. Yes.

Mr. SYKES. The executive committee of our association simply recommended Mr. Wallace, as he was secretary.

Senator NORRIS. Then you did act on it?

Mr. SYKES. Yes, sir; we acted on it; that is, from our States, you understand.

The CHAIRMAN. Mr. Sykes, yesterday you described conditions existing among the stock producers, and at one time you started to advance the remedies you thought might be advisable. I would be very glad to hear you further as to the conditions, and particularly with reference to the remedy.

Mr. SYKES. I think I went into the remedies yesterday. The farmers are going out of business to a large extent, particularly the grain-producing business, on account of the conditions I described to you yesterday—the unprofitableness of the business. The remedy is simply an advance in price and a restoration of confidence. Of course an advance in price will restore confidence on the part of farmers and producers.

The CHAIRMAN. Is it your judgment, Mr. Sykes, that prices to-day are controlled, either directly or indirectly?

Mr. SYKES. My judgment is that the prices are indirectly controlled by this Government through the Food Administration.

The CHAIRMAN. With acquiescence or cooperation by the packers?

Mr. SYKES. Well, I do not know whether I ought to say.

The CHAIRMAN. Of course, if you have no opinion on that point—

Mr. SYKES. Everything would tend to indicate that.

I want to say one thing about this hog situation. Of course, after the minimum price of \$15.50 was fixed hogs began to go down. Of course, we all thought they would; at least they were to get just as near to that \$15.50 level that was fixed as it was safe to get, if they did not go a little below it—which was the result. With the tremendous demand that there was for this dressed pork and pork products, I can not see why hogs should have depreciated in value in the markets to the extent they did unless it was just simply to get down to that level as nearly as they could.

Now, in regard to the beef proposition, only immediate action could save the situation at the present time, so far as the men are concerned who are in the game; that is, who now have the stuff in the yards ready for market. Immediate definite action would have to be taken to do that. There is absolutely no remedy outside of that.

Senator WADSWORTH. That is, the transportation question?

Mr. SYKES. No, sir; advancing the price. Of course, we take it for granted that the transportation is solved; that they are now going to open up the transportation lines; but the only thing that will save the feeder is an immediate boost of the prices.

The CHAIRMAN. Now, Mr. Sykes, with the embargo on the exportation of foodstuffs and with the Food Administration purchasing for the armies of this country and selling to foreign Governments for their armies, does not that provide a pretty substantial power over prices?

Mr. SYKES. I can not view it in any other way, Mr. Chairman. I believe that Mr. Hoover has the power to advance those prices whenever he sees fit.

The CHAIRMAN. Generally speaking, whoever controls the surplus, or the surplus available for export, has a power for influence over prices over the whole output?

Mr. SYKES. Yes, sir; there is absolutely no question about it in my mind. Of course, there may be a difference of opinion. I am not an attorney; I am a farmer and a producer.

Senator RANSDALL. I wish you would tell me for my own information: Is there an embargo on the exportation of meat products from this country now?

Mr. SYKES. All meat products must go through the Food Administration for export; yes, sir. They practically have their finger on all the exports of beef products.

Senator RANSDALL. Then there is an embargo to the extent that the Food Administration sees fit not to let these fellows go?

Mr. SYKES. Yes, sir; they can shut down or release them just as they see fit. There is one point I want to put in right here, gentlemen, and that is that the fixing of prices on meat will never increase the supply if you fix the price below the cost of production.

Senator RANSDALL. I was going to say, even if it should be a high price.

Mr. SYKES. It might if it were sufficiently high.

Senator NORRIS. It would depend on how much manipulation there was between the producer and the man who sold it.

Mr. SYKES. The price that is fixed must be based on the cost of production, and that alone.

The CHAIRMAN. Do you not think it is a fundamental law of economics that to fix a price below the cost of production will discourage more than it will increase production?

Mr. SYKES. Yes, sir.

Mr. SYKES. I should like to read into the record of the hearings a paragraph from the address of Prof. G. F. Warren, of Cornell University, which illustrates the delicate situation that exists between the cost of production and the supply and demand, so far as applies to hogs, if you will permit me to do so. Prof. Warren said:

If prices are to be controlled, they should be kept in adjustment with each other, else the types of farming will be shifted. So few persons have studied the economics of farming that few realize that farming is the most highly standardized industry. How skillfully farmers have adapted their practices to their conditions is illustrated by corn and hog production in Iowa and in Illinois. These two States produce about the same amount of corn, but the corn is worth about 2 to 4 cents a bushel less in Iowa. The hog industry is so sensitive to the price of corn that Iowa has twice as many hogs as Illinois.

There you have the whole situation in a nutshell, gentlemen; there only the difference of 2 to 4 cents a bushel on corn doubles the supply of hogs in Iowa. Now, that illustrates better than I could if I was attempting to explain to the committee the delicate situation that exists between the cost of production and the supply.

Senator RANSDALL. What makes that difference in the price of corn in those two States; is it the cost of transportation to the markets?

Mr. SYKES. Yes, sir; the cost of transportation makes that difference in the price of corn.

The CHAIRMAN. If I may interrupt you with a question, I would like to ask this: The packers could take a price considerably less than the cost of production, in view of the fact that there is no limitation on their by-products, on which they can make a considerable profit?

Mr. SYKES. I believe that is absolutely true, Mr. Chairman. I can not view it from any other standpoint.

And there is just this situation about it, gentlemen: If we are going to control these prices, they must be controlled on the basis of the cost of production. All of these factors must enter into the fixing of those prices, regardless of the fact of how they are going to affect the consumer; because, as I have already stated, fixing the prices on a product does not create any more of that product. If that product is produced at a loss, it makes less of it every time. And the consumer will eat less of that—he will have to, necessarily, on account of the supply; he will have to consume less of that product.

The CHAIRMAN. Whether the consumer has to pay 5 or 10 cents for a loaf of bread is a good deal less important than the question of whether he will get the loaf at all, is it not?

Mr. SYKES. Yes, sir; a great deal less important. I believe one of the great difficulties of our Food Administration has been that they have not been able to reason along the lines of the producer and the cost of production. That is probably on account of the fact that they have always been associated with consumers. They have thought always from the standpoint of the consumer and not from the standpoint of the fellow that follows the plow, and feeds the cattle and the hogs, and produces this food that the consumer has to live on, and must have to sustain him and to carry on his industry. There must be a closer cooperation, in my judgment, between these governmental departments and the men out on the farms and the ranches and the feed yards of this country, in order to bring about increased production.

The CHAIRMAN. Do you think it would be a good idea to allow the producer to do something besides produce and advise?

Mr. SYKES. Yes; I do, Mr. Chairman; that is just what I mean. I believe that men in the different States who have the confidence of the producers of their States and upon whom the producers of their States look as men of sound judgment and ability to direct these things should have some authority to say something about it; and in that way it would come back to the fellows that are producing this stuff, and they would say, "We believe that what this man recommends is safe for us to follow."

Senator RANSDELL. Have you given any attention to the increased production of live stock, both cattle and hogs, in the southern States?

Mr. SYKES. No, sir; I have not. I know absolutely nothing about it at all.

Senator RANSDELL. I understood that there was a very considerable increase in both; and I have wondered whether, with the low prices of all beef and hog products and the high prices of corn and cotton which they have been receiving down there, there would not be a very great reduction of the interest of the people in those two commodities.

Mr. SYKES. That might be true; I would not undertake to take up that phase of the question.

The CHAIRMAN. Have you a schedule of the prices that you can attach to your remarks? I have a schedule of prices of yesterday which I will have inserted in the record. It showed, among other things, that dressed beef was selling in Boston yesterday at 18 cents.

Mr. SYKES. No, sir; I have not got those; I should have brought such a schedule, but I did not think it would be asked for.

Mr. KENYON. Mr. Sykes, what proportion of beef cattle are finished off on cottonseed cake?

Mr. SYKES. What proportion of the total?

Senator KENYON. Yes.

Mr. SYKES. Well, I would simply have to make an estimate of that. I should say 75 per cent; that might be too high an estimate, but I think about 75 per cent.

The CHAIRMAN. Here is another great trouble about the cattle business: If they have even one season where results are discouraging, it takes three years to raise a steer; you can not get anybody to do that in less time than that, even under the war powers. It takes three years to raise a steer, startling as that statement may seem.

Mr. SYKES. Yes, sir. I believe that we as a nation, and our allies, are facing the most serious proposition that a nation can face on this question of food production, especially as far as it applies to meat; I do not think there is any question about that. The situation is just this: The average farmer in the corn belt has learned that it is more profitable to raise corn and sell it than to feed it to his stock; and he is going to do the thing that assures him a profit. Now, that is the whole situation. He is not going to take his chances feeding his corn—even if he only feeds the corn that he produces himself, to say nothing about buying from his neighbor—and turning it into live stock at a probable loss on the whole proposition. Because, with the uncertainty of the situation that is confronting him, he absolutely has no guarantee that he will receive any remuneration, so far as either his material or his labor is concerned.

The CHAIRMAN. And in using the corn that he raises on his land to feed his live stock he is reversing the ordinary and proper process of agriculture, which is to make the live stock contribute to the soil and help produce the crops, is he not?

Mr. SYKES. Yes, sir. And you can not retain the fertility and the productiveness of your soil if you continue to take those elements out of it by grain farming and do not restore them through live-stock operations and diversified farming.

Now, that is the situation that you gentlemen must give serious consideration to. I am speaking now seriously and candidly as one who, I believe, is as familiar with the situation in the corn belt as any man. I believe I know what I am talking about, gentlemen, in regard to this situation. I would not have come to Washington if I had not been interested in this matter; if I had not been scared—to put it in that way—by the situation with which we are brought face to face.

Senator KENYON. Mr. Sykes, you came down here to Washington as a farmer because your association regarded this question as being so serious?

Mr. SYKES. Critical; absolutely.

Senator KENYON. There is not any question of lack of patriotism on the part of the farmers wanting to make great profits, or anything of that kind; they are willing to do their part, but they can not go on raising live stock at less than cost?

Mr. SYKES. That is absolutely correct.

The CHAIRMAN. You feel, Mr. Sykes, that your views are the views of the representative farmers generally in your State, do you?

Mr. SYKES. Yes, Mr. Chairman. You can ask Senator Kenyon or Senator Cummins how the farmers look on me in the State of Iowa.

Senator KENYON. There is no question about your representing them.

Mr. SYKES. I am simply the spokesman here for our people.

The CHAIRMAN. Senator Kenyon has recommended you to the committee, although you do not need any recommendation with us. But what I wanted to get at was how strong this feeling of uneasiness was.

Mr. SYKES. I might answer that in this way: That in the State of Iowa I am a farm lecturer. I lecture at the various farmers' institutes and the short courses all over the State of Iowa. And after close investigation through these meetings and coming in personal touch with those people and knowing thousands of them personally and conversing with them, I have arrived at these conclusions which I have stated. So that feeling is very general.

The CHAIRMAN. Did the farmers take much interest in the food-control bill when it was pending?

Mr. SYKES. They were scared of it, Mr. Chairman.

The CHAIRMAN. And afraid to talk?

Mr. SYKES. Yes, sir; afraid to talk; that was the situation.

In regard to the patriotism of the farmers of Iowa and of the corn belt I want to say here, gentlemen, and I want it to go in the record, that there is not a more loyal, patriotic, self-sacrificing body of people in the United States than are the farmers of that section.

The CHAIRMAN. You do not have to tell us that, Mr. Sykes.

Senator KENYON. Mr. Sykes, you have said nothing yet about the labor situation among the farmers out there.

Mr. SYKES. No.; I want to say a few words on that. But I want to say first that we have contributed to the Young Men's Christian Association and to the Red Cross, and that we have bought liberty bonds and gone into debt for them. We borrowed money at the banks last fall with which to buy those bonds, and to-day our notes are still held by the banks, because we could not market our stock to pay for them.

The CHAIRMAN. I want to say, Mr. Sykes, that the farmers of this country are not under indictment and are not under suspicion before this committee; and if they were under indictment, I think this committee, as a jury, would return a verdict of "not guilty."

Mr. SYKES. Yes, sir. Now, just a few words on the labor question. That, gentlemen, is a serious question with us. I live in the smallest county in Iowa—Ira County. It comprises about 400 square miles of territory, and it is one of the richest counties, I am glad to say, from an agricultural standpoint, in the State. If my memory serves me right, the secretary of our draft board there told me that there were between 500 and 600 of our farm boys who were placed in class 1 of the draft, besides all of the boys that were taken in the draft last fall—out of that small territory—and that is what is going on all over the State. We are already short anywhere from 10 to 20 per cent in our farm labor.

The CHAIRMAN. What per cent?

Mr. SYKES. From 10 to 20 per cent. I have not the exact figures, but I know we are already short in our necessary farm labor from 10 to 20 per cent. And how we are going to replace this shortage and continue, under existing conditions, is, as Mr. Tomlinson has said, a riddle; it is a conundrum.

The CHAIRMAN. You can not do it by the increased use of improved machinery, can you?

Mr. SYKES. No, sir; we can not.

The CHAIRMAN. Your farms are pretty well equipped with improved farming machinery, are they not?

Mr. SYKES. Yes, sir; we are using tractors and big binders and reapers, and everything that can be used.

The CHAIRMAN. In regard to farm wages, the farmer has to rely largely upon home help does he not—

Mr. SYKES. Yes, sir; very largely.

The CHAIRMAN (continuing). Of himself and his family?

Mr. SYKES. Yes; very largely; and prevailing wages have got to a point where they are almost prohibitive for a farmer, even under ordinary conditions.

Senator KENYON. How are they running? Give us an example.

Mr. SYKES. The wages that they are asking this spring run from \$50 to \$75 a month.

Senator RANDELL. Does that include board?

Mr. SYKES. Yes, sir; that includes board.

Senator KENYON. And how does that compare with the wages in previous years, Mr. Sykes?

Mr. SYKES. It is an advance of about 50 per cent. The latter part of the season last year those wages advanced very materially. The men who employed their help early in the season did not have to stand that advance, but those who employed their help later found that they had to pay an advance of anywhere from 15 to 20 per cent.

Senator KENYON. Has there not been a drawing away of farm labor due to the high wages paid in factories and similar places?

Mr. SYKES. Yes, sir; that is what I was just going to mention. The inducements held out to those boys, especially the boys who do not have good homes and prosperous parents or other favorable conditions in the country—and even many of those boys who do have good homes, on account of the demands in the skilled trades and the professions, have been enticed away from the farms. And the other class of boys have been enticed away to the towns to go into factories of one kind or another, that I do not need to name, because of the high wages, and the easy time, etc., that they think they are going to have.

The CHAIRMAN. Do you not think there is a serious danger that they never will come back, even when the prices of labor in the cities are lower?

Mr. SYKES. Yes, sir; that is a very great and a very serious danger.

Senator KENYON. Have you any suggestion as to a solution of that difficulty?

Mr. SYKES. I think many of those things might be put out of business, if that can be done.

The CHAIRMAN. The nonessential industries?

Senator KEXTON. Put the nonessential industries out of business?

Mr. SYKES. Yes; put the nonessential industries out of business until after the war. I think some of the industries are absolutely nonessential; and they should not be permitted to employ this help and entice it away from the country, where it is so badly needed.

The CHAIRMAN. Do you know whether the impression prevailed among the farmers, or was there any effort made to create such an impression, that the draft would not apply to the farm laborers and certain other classes?

Mr. SYKES. Yes, sir; I know very well that that impression prevailed very largely among the farmers, Mr. Chairman. I am sorry to say that they were very much disappointed as to that.

The CHAIRMAN. I heard of that, because I think the National Security League circularized the country about it; I got hold of one of their circulars, to the effect that farm laborers and industrial laborers would not be drawn upon. How they expected to get an Army without taking either those who work on the farms or those who work in the factories I do not know.

Mr. SYKES. Yes, sir; that was my view, and that is what I have told our people when they have come to me with their complaints—our farmers. I have said to them, "We are one of the industries that must furnish our pro rata share of the boys for the Army." Now, I do not know about it myself; but it is given out on what appears to be good authority that 26 per cent of the boys in the Army come from the farms. I think that is probably correct and a conservative estimate. Whether or not that is a larger percentage than we should furnish I am not prepared to say; but that is approximately the percentage we are furnishing at the present time for the Army.

The CHAIRMAN. The draft last fall closed a good many farms, because it took those who were vital to the running of them. I have had a number of letters from my State with regard to that. I suppose the new regulations will make some difference in that respect.

Mr. SYKES. I am here to tell this committee that in Ida County—and this is true of every county in the State of Iowa—there have been a number of men that have been compelled to go out of business because of the effects of the draft; young men who were operating farms, many of them as much as half a section of land; unmarried men, and even some of those who were married, were taken; and they had to sell out and quit farming. That was the situation there.

The CHAIRMAN. One young man in my State was drafted into the Army who raised 2,700 bushels of wheat last year.

Mr. SYKES. Yes, sir.

The CHAIRMAN. And I was wondering who would raise that 2,700 bushels of wheat this year. And then he had to take \$2,000 less for that than it was worth.

Mr. SYKES. I know of a number of instances in Iowa where men were compelled to sell out and quit on account of the draft.

Senator RANDELL. Mr. Sykes, I want to clear up a doubt in my own mind in regard to the price of hogs. I understood you to say that the minimum price had been fixed at about 15½ cents?

Mr. SYKES. A minimum price on packers' prices; yes, sir.

Senator RANDELL. What would that mean in Iowa, considering the cost of transportation, etc.?

Mr. SYKES. About $1\frac{1}{2}$ cents; it costs about \$1 a hundred now to ship hogs to Chicago.

Senator RANDELL. Does that include the commission?

Mr. SYKES. That includes the commission; that is supposed to include everything—\$1 a hundred.

Senator RANDELL. I understood you to say that it would take 12 bushels of corn to raise 100 pounds of meat.

Mr. SYKES. Yes, sir; on an average.

Senator RANDELL. That would be less than $8\frac{1}{2}$ pounds of meat, then, for every bushel of corn.

Mr. SYKES. For every bushel of corn it would be about $8\frac{1}{2}$ pounds.

Senator RANDELL. And a bushel of corn is worth about \$1.50 on the farm to-day, is it not?

Mr. SYKES. Yes, sir; in Iowa.

Senator RANDELL. Then, if you applied that proportion, the way it figures out, it would make that meat cost about 17.64 cents per pound to raise it.

Mr. SYKES. Yes, sir.

The CHAIRMAN. But that does not allow anything at all for the labor?

Senator RANDELL. No; that does not allow anything for the labor. Now, if you will take 16.64 cents in Chicago, it means a net loss of 3.14 cents per pound. Am I correct in those figures?

Mr. SYKES. That would be according to our figures.

Senator RANDELL. And those figures, you think, are correct and conservative?

Mr. SYKES. Practically correct, from our standpoint, I would say that they are. Scientifically they have figured out that the general average cost is 11.67 bushels of corn to produce 100 pounds of pork.

The CHAIRMAN. Under very favorable conditions?

Mr. SYKES. Yes, sir; I say under more favorable conditions that has been figured out.

Senator RANDELL. If that is correct, Mr. Sykes, it means a loss of about 3 cents a pound on every pound of hogs that a farmer attempts to produce at the present time, and I take it that that would mean he is going to get out of the hog business just as quick as he can if he is a prudent farmer, does it not?

Mr. SYKES. That is the view I would take of it. I could not look at it in any other way. Just as I have stated, in other words, he finds it is more profitable to market that corn direct than to market it through these hogs, and so he will just simply market his corn direct.

Senator RANDELL. And you are speaking for the great hog and corn States of the Nation particularly?

Mr. SYKES. Yes, sir.

Senator RANDELL. If the people of Iowa can not make money on their hogs, I do not imagine people of other States can?

Mr. SYKES. Not in the corn belt. Mr. Tomlinson's situation in the West is entirely different.

Senator RANDELL. It could hardly be more favorable for the hog producers.

Mr. SYKES. No.

Senator RANDELL. It is less favorable?

Mr. SYKES. That is what I say. Mr. Tomlinson's situation is more favorable; they can produce hogs much cheaper than we can.

Senator RANDELL. Oh, they can?

Mr. SYKES. Oh, yes; because of their alfalfa fields.

Senator RANDELL. They have a long ways to transport those hogs to market?

Mr. SYKES. I think they have home markets for the most of their hogs.

Senator RANDELL. Perhaps they do not raise enough.

Mr. SYKES. That is the point; it is not a hog-producing country.

Senator RANDELL. And they do not figure in this general program?

Mr. SYKES. No, sir.

The CHAIRMAN. When they sell the corn instead of hogs, they get rid of the cholera and other diseases, which is a factor, too?

Mr. SYKES. Yes, sir.

Mr. MOSELY. I would like to ask you whether there is not some other factor of expense that enters into that production besides that corn to raise that hog?

The CHAIRMAN. He said they allowed nothing for the labor.

Mr. MOSELY. I mean other factors.

The CHAIRMAN. Rent, too, of course.

Mr. SYKES. The factor of the labor and the risk of sickness and death and loss, and all of those things enter into it.

The CHAIRMAN. And investment of your bonds.

Mr. MOSELY. The investment in the brood sows and the carrying over of the brood sows.

Mr. SYKES. All of those things enter in. They are certainly factors in the matter. However, we are just giving actual cost here for the production, not taking into consideration these other factors at all. Is there anything further, gentlemen?

Senator NORRIS. I want to ask you this: You refer to this price continually as the minimum price. Why do you do that?

Mr. SYKES. The minimum price is this, Senator: The Food Administration has said through Mr. Cotton, who is the chief of the meat division, that the price should not go below.

Senator NORRIS. Is it not the maximum price as well as the minimum?

Mr. SYKES. No, sir.

Senator NORRIS. Do you get more for your hogs?

Mr. SYKES. Yes, sir.

Senator NORRIS. Well, then, there may be.

Mr. SYKES. That is true. They have remained there—I tried to make that clear—but they have come down as close to the minimum price fixed by the Food Administration as seemed advisable.

Senator NORRIS. If the farmer is getting more than the minimum price, the price that he actually gets is what we want to figure on?

Mr. SYKES. Yes.

Senator NORRIS. Is he getting more than that; what is he getting?

Mr. SYKES. Yes, sir.

Senator NORRIS. What is the average that you get for the hogs when you sell them?

Mr. SYKES. I should say around 16 cents for the packers' droves about 50 cents a hundred difference.

Senator NORRIS. When you were figuring this just now for Senator Ransdell, you were figuring on the minimum price?

The CHAIRMAN. No; he was figuring on 17 cents.

Senator RANSDALL. I was figuring on the selling price of 15½.

Senator NORRIS. The figure they are selling at on the farm is 14½ cents a pound. Now, what are the facts?

Mr. SYKES. The facts are that hogs in the country are selling right around 15 cents.

Senator NORRIS. The loss would not be quite as great?

Mr. SYKES. No, sir; it would be the difference of 50 cents a hundred.

Senator RANSDALL. That would make only 3.46 instead of 3.14 cents?

Mr. SYKES. I am glad you brought that up, Senator, because I did not want to stand up here and mislead anybody.

Senator RANSDALL. I did not intend to do it, either, by my questions. I was trying to get the actual facts. That is bad enough, 3.64 cents on every pound.

Mr. SYKES. As I stated formerly in my first remarks here, I believe that these hogs would have been selling at a much higher price if that minimum price of \$15.50 had not been fixed. That is what I want to impress on this committee, that the law of supply and demand would have created a higher price for the raw product.

The CHAIRMAN. You think the price tended toward that minimum?

Mr. SYKES. Yes, sir; that is what I tried to make clear.

The CHAIRMAN. If there is any cooperation between the packers and the Food Administration, it would rather accelerate that tendency, would it not?

Mr. SYKES. Yes, sir.

Senator NORRIS. I would like to ask you about the packers. In your judgment have the packers had anything to do with the fixing of this price?

Mr. SYKES. Of the price—

Senator NORRIS. Yes; that the farmer, the producer, gets.

Mr. SYKES. You are asking me something that I am not prepared to answer. I know that Mr. Cotton and Mr. Hoover conferred with the packers a number of times before the price was announced. Right there is another point I would like to make to this committee, that in the conferences with the packers none of the stockmen or representatives of the stockmen or producers were present or invited to be present. So that, of course, we do not know what was said. We absolutely know nothing about what was said so far as anything concerned in the matter of agreeing on this price.

Senator NORRIS. Is there a general belief among the producers that the packers have got an unfair advantage and are making an exorbitant profit under all the facts and circumstances?

Mr. SYKES. Absolutely. There is no doubt that the feeling among the producers is that the packers have always had an unfair advantage—that is, the packers have been in a position to fix the price. There is that feeling among the producers generally that they have been in a position to fix the price continually.

Senator RANSDALL. There are a great many millionaire packers and very few millionaire farmers in the country?

Mr. SYKES. I do not know of any millionaire farmers.

Senator RANSDALL. You know of a great many millionaire packers, I take it?

Mr. SYKES. Yes, sir; they have made it in their lifetime, and I have not, and I have worked as hard as they have, and I have been only able to accumulate a very moderate competence.

There was just one point here, gentlemen, before I leave, which I wanted to call your attention to. As I stated yesterday, the prices on everything should be fixed or prices on nothing fixed. The prices on our agricultural implements have practically doubled.

Senator NORRIS. In how long a time?

Mr. SYKES. In the last two years. The plows that in 1914 and 1915 were bought for \$25 are now selling for about \$50; gang plows that we bought for around \$50 or \$60 at that time are now selling at \$100 to \$110. Binders have had the same advance; mowers, rakes, and all that class of machinery likewise. Barbed wire has more than doubled in price. Woven wire fencing has doubled in price as well. Hinges have almost trebled in price, and so with all kinds of hardware. There is no fixing of price in respect to those things the farmers have to buy. The Government has fixed the price on steel, but yet there is absolutely no control of the price of these implements and wire nails and all of these things that we have to buy.

The CHAIRMAN. Mr. Sykes, I would like to say there—I do not know whether you know it or not—that the food-control bill confers the same power over the price of farming implements, machinery, and equipment as over food and beef.

Mr. SYKES. They have not exercised that power.

The CHAIRMAN. I understand that.

Mr. SYKES. That is the point I wanted to make right here, that the Food Administration has not interfered with the price of the things we have to buy to operate our farms, absolutely; and they tell me that the advance in the price for the present year is going to be about 25 per cent over what it was last fall. The implement men tell me that the advance in implements will be 25 per cent over what it was last summer and fall. There is something radically wrong somewhere. If we are going to control these prices, let us control them all around or else let us cut her loose and give every dog a fair show.

The CHAIRMAN. There has been a much greater advance of price asked the farmer for the things he has to buy than upon what he sells?

Mr. SYKES. Yes, sir; that is my observation and my conclusion.

Mr. ELMORE. Did I understand you to say, Mr. Chairman, to Mr. Sykes, that the food-control bill conferred the same power in respect of fixing the price of farm machinery that it does food and fuel; is that correct?

The CHAIRMAN. Not as to fuel, but as to foods and feeds.

Mr. ELMORE. As to foods and feeds?

The CHAIRMAN. Yes, sir.

Mr. ELMORE. There does not seem to be anybody exercising that control at all.

Mr. SYKES. There is the whole question in a nutshell, gentlemen. Nobody is exercising that control. These feeds, as I told you yesterday, have gone out of sight. These feeders are going out of busi-

ness because they can not stand the pressure. We must either control all of these prices, or prices on products, or we must not control any of them, in my judgment; and as I stated previously, there is only one thing to do that can save the situation at the present time and that is an advance of a dollar a hundred on this stuff that is now ready for the market. That would encourage the other fellow. Now is the time we ought to be buying our stuff to go on our packages and on summer feed. Right now, within the next 30 days, is the time we should be setting up our yards for summer feeding.

The CHAIRMAN. What did you say; has this been put up to Mr. Cotton of the Food Administration?

Mr. SYKES. Yes, sir.

The CHAIRMAN. Is it your belief they will grant you this increase?

Mr. SYKES. No, sir; absolutely no.

Mr. TOMLINSON. A dollar increase, Mr. Sykes, will not let you out whole?

Mr. SYKES. No, sir; it will just about cut the loss in two. If we were to get out whole, it would take \$2 a hundred on cattle. Of course, you understand the man who raised his hogs and who fed his soft corn into them is not sustaining the loss that our fellows are who fed our corn and bought their neighbors' corn and fed it into those cattle. There is a difference between the two men entirely for that reason. And then, going back to this other question: Now is the time we should be filling our feeding yards and getting ready for our summer feeding, to provide food for our people and the allies through the summer and fall; and there is nothing being done, gentlemen; that is the fact in the case.

Senator RANDELL. What is going to become of this stuff if you do not fill your yards?

Mr. SYKES. I do not know.

Senator RANDELL. Will they sell or sacrifice or allow it to die, or what will happen to it?

Mr. SYKES. They will go into the market and they will be bought by the packers and made into canned beef and one thing and another just like they did last fall.

Senator RANDELL. In other words, they will be sacrificed in an immature condition?

Mr. SYKES. Yes, sir; sacrificed as immature cattle.

Senator RANDELL. With the result that after a year or two we will not have any cattle to amount to anything in the country?

Mr. SYKES. That is the result of the whole situation. You will pardon me—honestly I ought to quit, I know.

Senator RANDELL. Go on; this is very interesting to us.

Mr. SYKES. It is interesting for you men to know that last fall when we were filling our feed yards on the advice of the Food Administration—that is, indirectly taking it for granted that we must have this stuff—that our allies must have, and that we must be patriotic and that we must do that, we went out on the strength of that inferred guarantee, as Mr. Tomlinson said, and what did we find in the market? We found that the packer was there to bid against us on our feeders. That is what we found everywhere. The packer was in there bidding against us, and we had to bid more than the

packer would pay if we got that stuff to put it into our feed yards. The packer would put it in his cooler, if we did not.

Senator RANDELL. And he was ultimately the only purchaser you had to sell your stuff to?

Mr. SYKES. He was the ultimate purchaser and the only purchaser that would buy our stuff unfinished.

The CHAIRMAN. You had to compete with him in buying and then sell it to him without competition?

Mr. SYKES. That is the whole thing in a nutshell.

The CHAIRMAN. That is almost an ideal condition for the packer?

Mr. SYKES. Yes, sir; for the packer. Those are the facts as they exist as near as we can give it to you men from the standpoint of the corn-belt feeder and producer. If we can not get relief, the country will have to suffer.

The CHAIRMAN. We are very much obliged to you. We will meet to-morrow at 10.30.

(Thereupon, at 12.40 o'clock p. m., the committee adjourned to meet at 10.30 o'clock a. m. on Saturday, February 16, 1918.)

INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE AND FORESTRY UNITED STATES SENATE

SIXTY-FIFTH CONGRESS

SECOND SESSION

RELATIVE TO

INCREASING THE PRODUCTION OF GRAIN AND MEAT
SUPPLIES OF THE UNITED STATES

SATURDAY, FEBRUARY 16, 1918

Printed for the use of the Committee on Agriculture and Forestry

PART 2



FOOD ADMINISTRATION

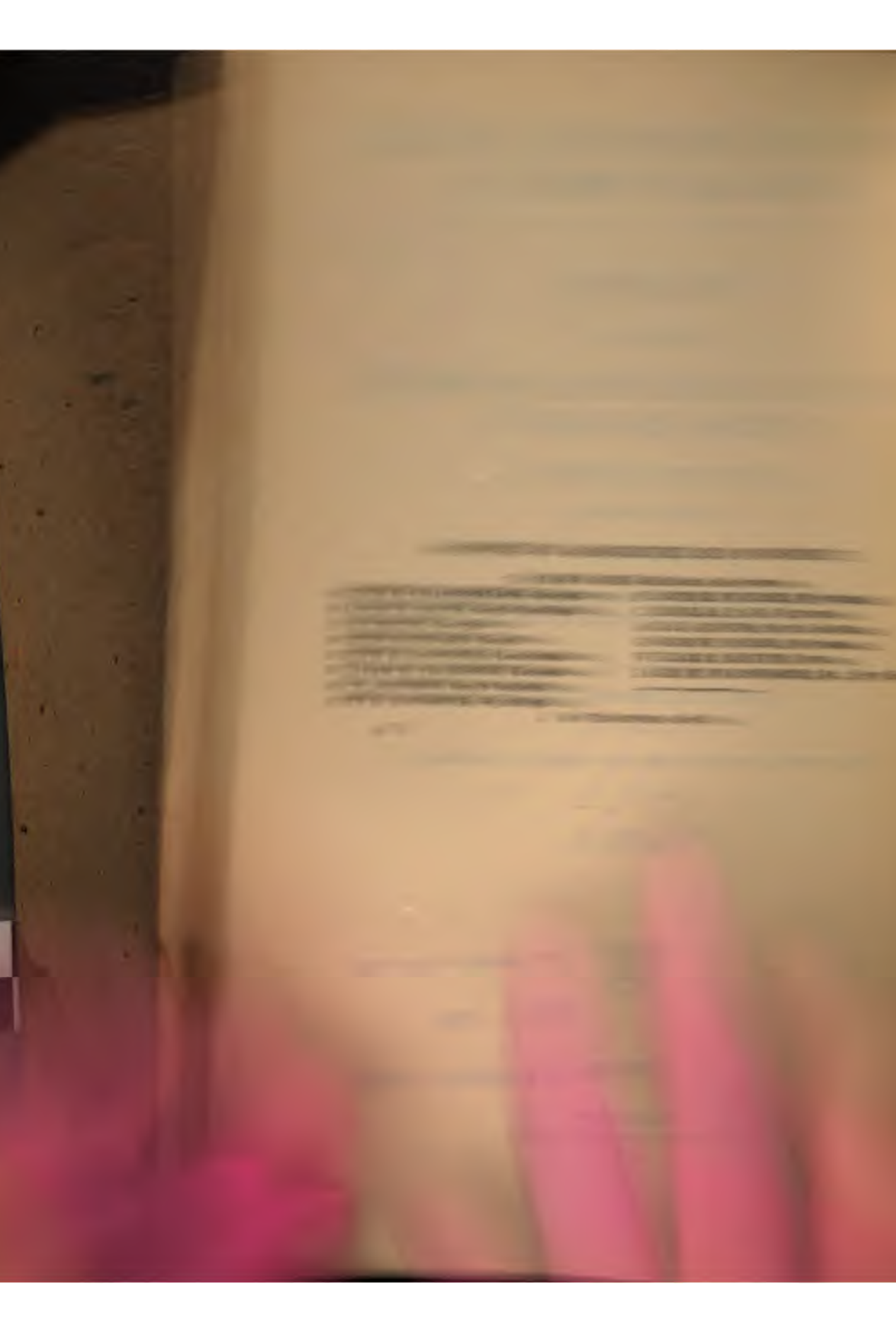
NOV 7 1918

INFORMATION BUREAU LIBRARY

WASHINGTON
GOVERNMENT PRINTING OFFICE

1918





INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

SATURDAY, FEBRUARY 16, 1918.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10.30 o'clock a. m., in the committee room, No. 326, Senate Office Building, Senator Thomas P. Gore presiding.

Present: Senators Gore (chairman), Smith of Georgia, Page, Gronna, Norris, Kenyon, and Wadsworth.

The CHAIRMAN. The committee will come to order. We will hear Mr. Simpson first.

STATEMENT OF MR. JOHN A. SIMPSON, PRESIDENT OF THE FARMERS' UNION OF OKLAHOMA, WEATHERFORD, OKLA.

The CHAIRMAN. Mr. Simpson, will you kindly state your full name and post-office address, your business, and your connection, if any, with any farmers' organizations?

Mr. SIMPSON. John A. Simpson, Weatherford, Okla.; I am a farmer, and president of the Farmers' Union of Oklahoma.

The CHAIRMAN. You are also connected with various other organizations?

Mr. SIMPSON. Yes, sir; I am also president of the Association of Presidents of State Farmers' Unions.

The CHAIRMAN. I wish you would proceed and discuss the general situation in your own way.

Mr. SIMPSON. Mr. Chairman and Senators, I first want to tell you about conditions in my State, just as a witness would if called into court. I am sure that as far as the hog situation is concerned in my State that 1918 will show a more disastrous situation than 1917, and our county assessors' reports for 1917 showed a 25 per cent decrease as compared with the same reports for 1916.

Senator PAGE. A decrease in profits?

Mr. SIMPSON. In the number of hogs. There were about 800,000 head of hogs reported by the assessors in 1916, and that number was decreased by a little over 200,000 in the 1917 report. I am absolutely certain—as certain as a man can be of anything that he has not taken a census of—that the assessors' report for the next year will show more than another 25 per cent decrease. I am an average of the hog farmers of Oklahoma. In 10 years I do not believe there has been a day that I did not have as many as 50 head of hogs on my place, and from that up to 250. At the present time I have six shoats set aside for my next year's meat. I could not afford to keep hogs any longer

Mr. SYKES. That is what I say. Mr. Tomlinson's situation is more favorable; they can produce hogs much cheaper than we can.

Senator RANDELL. Oh, they can?

Mr. SYKES. Oh, yes; because of their alfalfa fields.

Senator RANDELL. They have a long ways to transport those hogs to market?

Mr. SYKES. I think they have home markets for the most of their hogs.

Senator RANDELL. Perhaps they do not raise enough.

Mr. SYKES. That is the point; it is not a hog-producing country.

Senator RANDELL. And they do not figure in this general program?

Mr. SYKES. No, sir.

The CHAIRMAN. When they sell the corn instead of hogs, they get rid of the cholera and other diseases, which is a factor, too?

Mr. SYKES. Yes, sir.

Mr. MOSELY. I would like to ask you whether there is not some other factor of expense that enters into that production besides that corn to raise that hog?

The CHAIRMAN. He said they allowed nothing for the labor.

Mr. MOSELY. I mean other factors.

The CHAIRMAN. Rent, too, of course.

Mr. SYKES. The factor of the labor and the risk of sickness and death and loss, and all of those things enter into it.

The CHAIRMAN. And investment of your bonds.

Mr. MOSELY. The investment in the brood sows and the carrying over of the brood sows.

Mr. SYKES. All of those things enter in. They are certainly factors in the matter. However, we are just giving actual cost here for the production, not taking into consideration these other factors at all. Is there anything further, gentlemen?

Senator NORRIS. I want to ask you this: You refer to this price continually as the minimum price. Why do you do that?

Mr. SYKES. The minimum price is this, Senator: The Food Administration has said through Mr. Cotton, who is the chief of the meat division, that the price should not go below.

Senator NORRIS. Is it not the maximum price as well as the minimum?

Mr. SYKES. No, sir.

Senator NORRIS. Do you get more for your hogs?

Mr. SYKES. Yes, sir.

Senator NORRIS. Well, then, there may be.

Mr. SYKES. That is true. They have remained there—I tried to make that clear—but they have come down as close to the minimum price fixed by the Food Administration as seemed advisable.

Senator NORRIS. If the farmer is getting more than the minimum price, the price that he actually gets is what we want to figure on?

Mr. SYKES. Yes.

Senator NORRIS. Is he getting more than that; what is he getting?

Mr. SYKES. Yes, sir.

Senator NORRIS. What is the average that you get for the hogs when you sell them?

Mr. SYKES. I should say around 16 cents for the packers' droves, about 50 cents a hundred difference.

Senator NORRIS. When you were figuring this just now for Senator Ransdell, you were figuring on the minimum price?

The CHAIRMAN. No; he was figuring on 17 cents.

Senator RANSDELL. I was figuring on the selling price of 15½.

Senator NORRIS. The figure they are selling at on the farm is 14½ cents a pound. Now, what are the facts?

Mr. SYKES. The facts are that hogs in the country are selling right around 15 cents.

Senator NORRIS. The loss would not be quite as great?

Mr. SYKES. No, sir; it would be the difference of 50 cents a hundred.

Senator RANSDELL. That would make only 3.46 instead of 3.14 cents?

Mr. SYKES. I am glad you brought that up, Senator, because I did not want to stand up here and mislead anybody.

Senator RANSDELL. I did not intend to do it, either, by my questions. I was trying to get the actual facts. That is bad enough, 3.64 cents on every pound.

Mr. SYKES. As I stated formerly in my first remarks here, I believe that these hogs would have been selling at a much higher price if that minimum price of \$15.50 had not been fixed. That is what I want to impress on this committee, that the law of supply and demand would have created a higher price for the raw product.

The CHAIRMAN. You think the price tended toward that minimum?

Mr. SYKES. Yes, sir; that is what I tried to make clear.

The CHAIRMAN. If there is any cooperation between the packers and the Food Administration, it would rather accelerate that tendency, would it not?

Mr. SYKES. Yes, sir.

Senator NORRIS. I would like to ask you about the packers. In your judgment have the packers had anything to do with the fixing of this price?

Mr. SYKES. Of the price—

Senator NORRIS. Yes; that the farmer, the producer, gets.

Mr. SYKES. You are asking me something that I am not prepared to answer. I know that Mr. Cotton and Mr. Hoover conferred with the packers a number of times before the price was announced. Right there is another point I would like to make to this committee, that in the conferences with the packers none of the stockmen or representatives of the stockmen or producers were present or invited to be present. So that, of course, we do not know what was said. We absolutely know nothing about what was said so far as anything concerned in the matter of agreeing on this price.

Senator NORRIS. Is there a general belief among the producers that the packers have got an unfair advantage and are making an exorbitant profit under all the facts and circumstances?

Mr. SYKES. Absolutely. There is no doubt that the feeling among the producers is that the packers have always had an unfair advantage—that is, the packers have been in a position to fix the price. There is that feeling among the producers generally that they have been in a position to fix the price continually.

Senator RANSDELL. There are a great many millionaire packers and very few millionaire farmers in the country?

Mr. SYKES. I do not know of any millionaire farmers.

Senator GRONNA. Of course, the real crux of the thing is what the corn costs the farmer, because the farmer is the man who feeds it?

Mr. SIMPSON. Where we have an organization and we ship in a car ourselves and go down to the car ourselves and get it it costs about \$1.75 or \$1.80.

Senator NORRIS. But that does not cut out the cost of hauling; you have to pay for that?

Mr. SIMPSON. Yes, sir; by purchasing in car lots we are just simply cutting out the middleman.

In Oklahoma we make around 3,000,000 acres of wheat, or better, and I believe there is at least a third of that wheat that can not possibly make more than from 4 to 6 or 7 bushels to the acre right now. It would not make any difference how favorable the weather is from now on; it could not make more than from 4 to 6 or 7 bushels to the acre, and with the \$2 price on wheat at Chicago, as it is now for 1918 crop, it would not be worth while to let that wheat stand; we would have to use the ground for something else. If the price was made sufficiently high so that we could afford to let that wheat stand and harvest it, it would save probably several million bushels of wheat.

Senator GRONNA. In other words, the acreage cost would be more than what you would expect to get out of it?

Mr. SIMPSON. Yes; we could not break even.

Senator GRONNA. With reference to the price of corn before you leave that, Mr. Simpson, you were speaking of shipping in the corn. In Oklahoma, where that practice obtains, you do not raise any corn?

Mr. SIMPSON. We do some years, but we did not last year.

Senator NORRIS. You have to ship in your corn?

Mr. SIMPSON. Yes, sir. In the 15 years that I have lived there in my county I never saw an absolutely complete failure of corn before this year. It was the first time I ever failed to raise some corn.

Now, I consider the price proposition especially important just at this time, to try to save those several million bushels of wheat in Oklahoma that could be saved if the price was raised. If we could save 5,000,000 bushels of wheat there, that would feed a million people a year.

The CHAIRMAN. Does that same condition prevail in western Kansas?

Mr. SIMPSON. I am just going to testify about Oklahoma, although farmers I have met from Kansas say that the same thing prevails there.

The CHAIRMAN. Would you say that virtually the amount of wheat grown in this country in that semiarid region corresponds pretty closely to our ordinary surplus for exportation?

Mr. SIMPSON. Yes, sir. The place the United States has to go to get its wheat to feed the armies and to export is right out in that arid country where it only makes a very low yield.

Senator NORRIS. What price will be necessary to prevent the plowing under of this enormous acreage you are speaking of?

Mr. SIMPSON. Well, sir, I do not think that less than \$2.50 a bushel will save that wheat that runs 5 bushels to the acre. Two dollars and a half a bushel to the farmer, or \$2.75, would be a whole lot safer, and \$3 safer than \$2.75. There were lots of fellows that I know in my

county harvested wheat last year that did not make but 3 bushels to the acre, on the theory that it was going to be \$3 a bushel.

Senator NORRIS. And it would have been \$3 a bushel without a doubt if they had not fixed a price?

Mr. SIMPSON. Yes, sir.

Senator GRONNA. It was \$3.75 in our terminal market the day we passed our bill.

The CHAIRMAN. Wheat sold in Minneapolis at \$3.75 a week or 10 days before the exchanges were closed.

Senator KENYON. Can not the farmer raise wheat at \$2 a bushel and make a fair profit?

Mr. SIMPSON. Not in Oklahoma. Last year in Oklahoma, according to the Agricultural Department's reports—and their reports are always wild enough about yields—we only made about 8 bushels to the acre. The whole United States only made about 10 bushels to the acre of fall wheat. You can figure that out for yourselves—whether they can come out even at \$2 a bushel.

Senator WADSWORTH. That is unusual, though, is it not?

Mr. SIMPSON. It is true, just the same. And right to-day I feel just as certain as I would feel certain of the weight of a steer that I saw standing over there that you are not going to have as much fall wheat as you had last year; you are not going to have any bigger average yield.

Senator WADSWORTH. As a matter of fact, Mr. Simpson, a man can never calculate what he can raise wheat for until he knows how many bushels per acre he is going to raise?

Mr. SIMPSON. That is the idea exactly. And you must take as a basis, when you are figuring on that product, not where they are making the big yield but where the small yield is. You must not even take the average, because you want to save the wheat below the average.

The CHAIRMAN. In a crisis?

Mr. SIMPSON. Yes, sir. Now, if you had a surplus, that would not be necessary; it would not be necessary to figure on saving what is below the average, but wheat is the most precious stuff right now toward winning this war, and you want to figure on those small crops that may mean the difference between success and failure. Our State is not a spring-wheat State, but I know that intelligent men anywhere realize that \$2.75 or \$3 to the farmer is going to put out more acres of spring wheat than \$2 will. You know that. And you have got to put in a big increase in acreage of spring wheat to make up for the serious condition of the winter wheat.

Senator KENYON. If you made it \$4, that would increase it still more, would it not?

Mr. SIMPSON. Surely.

Senator KENYON. Where is the point to which you think we should go?

Mr. SIMPSON. I do not say you ought to go to \$4; I do not know that the condition is serious enough to make it necessary to go to \$4, but I believe the conditions are serious enough to go to \$3. And I believe you ought to make the inducement strong enough so that women will work, that children will work, that men will work after dark and before daylight. But they are not going to do it if they can not see anything in it.

The CHAIRMAN. You think it would be better to put it above what would really provide a reasonable profit, rather than below, if you want to stimulate production?

Mr. SIMPSON. Yes, sir; that is the only way to stimulate production. You must put it high enough so that every woman will become a hand in the field.

Senator KENYON. The women on the farms are working very hard now, are they not?

Mr. SIMPSON. They work too hard. It is a shame. There is not a farmer can look his wife in the face and say, "You have had a better time because you married me than you would have had if you had stayed single."

Senator KENYON. And you think that it would put more work on the farmer's wife?

Mr. SIMPSON. It would, but she would do that work if you put the price high enough with the hope of paying off the mortgage.

Senator GRONNA. And have a better time afterwards?

Mr. SIMPSON. And have a better time afterwards. There is another thing I want to speak of, and I think it is right that you should know it at first hand. I think it is my patriotic duty to tell it. You know, anybody that has been hit as hard as the wheat farmer has been hit, absolutely robbed, is not in the best frame of mind. He feels the injustice of the proposition. The President told him in his message that he had a right to complain, that he complained with a great deal of justice. He knows that. And surely it is time you were getting back his friendship and love. You need it. As a fellow said the other day, you are not going to win wars with the head, you are going to win them with the heart. You have got to have your heart in it.

Now, the biggest surprise to the farmer was when they priced his wheat. Practically every law that Congress has passed has turned out to be different than what we farmers were led to believe it was going to be. When you passed your food-control bill we had representatives here from many States, and we went back home feeling absolutely sure that no one was authorized to put a maximum price on wheat. I am going to show you how we had a right to feel sure about that. I am reading from Mr. Hoover's statement before the Agricultural Committee on June 19:

From a number of current illusions about the legislation proposed, the first is the illusion in some quarters that the bill is directed against the producer. It would not be necessary to traverse this statement to anyone that had read the bill. It specifically excepts the producer from every one of its provisions, with the exception of one section, and that is the provision for a guarantee, and this section is designed to entirely benefit and secure the producer. The savings of the American consumer ought not and should not be made by a sacrifice on the part of the producer. They should be made by the exclusion of speculative profits from the handling of our foodstuffs.

The second illusion is that there is price fixing by this bill. There is no provision for price fixing, and no such thing can be carried out under the bill. What we hope to do is to stabilize prices by various devices and to regulate the profits and speculation out of handling commodities.

All of that was in the newspapers. We read it. We thought we were going to be treated differently from what we were. And now—you know when people feel like they have been fooled they are not feeling the best.

The CHAIRMAN. I want to say in that connection that Mr. Hoover was correct when he said there was nothing in the bill that warranted price fixing. There is nothing in the law that warrants price fixing, and the fixing of a price of \$2 on wheat is absolutely without the slightest warrant.

Senator NORRIS. But, notwithstanding that, they did do it, and they did it under the provisions of the bill.

The CHAIRMAN. Nominally under the law.

Senator NORRIS. Nobody thought they were going to do it, but they did do it.

The CHAIRMAN. Of course, I was afraid, and I suppose many others were afraid, that having the power of embargo and the great power of purchasing for the allied armies and our own they were able to control the surplus and indirectly control the price. I was afraid of that, but it never occurred to me in my most extreme moments of opposition that they would ever do what they have done.

Senator PAGE. I remember distinctly that talk, Mr. Chairman. I was a member of the committee and was present at that time. I think I personally went to the Senator from North Dakota and said, "What do you want as the guaranteed price?" He said, "A dollar and a half or a dollar and seventy-five cents." I had made a motion, I think, that \$1.50 be the price named, and it was then changed to \$1.75 and afterwards to \$2, and I supposed all the time I was doing something to favor the farmers and so told Senator Gronna.

Senator GRONNA. That is right.

Senator PAGE. Senator Gronna said he thought \$2 would be satisfactory if they could have that minimum price.

Senator NORRIS. That brings up the point that that price was not for the year's crop that Mr. Simpson is talking about. This is the 1918 crop. They fixed the price for the crop of 1917 that had already been matured and made at the time the bill was passed. We did not fix any price in the bill for the crop of 1917.

The CHAIRMAN. And we did not authorize anybody else to do it.

Mr. SIMPSON. Gentlemen, here is my own thought about what we consented to as an organization as a reason for that control—not to put a maximum price on the producer's stuff, but to cut out the excess profits between the consumer and the producer. Here is the way Mr. Hoover put that. [Reading:]

There can be no more vivid evidence of the desirability of food control in this situation than a comparison between our prices and the prices of foodstuffs in countries where there is some measure of food administration. I will not traverse the prices of all commodities more than to say, as a general fact, the average prices to the consumer are lower in food-controlled countries than in the United States. Practically the entire wheat supply to Belgium is to-day imported from the United States, and despite the extraordinary costs of transportation, the price of bread is 60 per cent of the price in New York City. A large portion of the wheat of France comes from this country, and yet the price of bread is, again, 40 per cent below our own. In England, where food control was started too late, the price is 30 per cent below our price, and in Canada, again, we see a lower range of prices to the consumer than in our own country, although the producer realizes the same price.

That is what we thought the food bill was going to be; we did not know it was going to stifle our food production.

Senator GRONNA. I think I should state for the record that it was pretty generally understood among the members of the committee that the crop of 1917 was not to be interfered with as to price; that we were going to leave that to be fixed by supply and demand, the same as it has always been fixed.

Senator NORRIS. It had already been purchased.

Senator GRONNA. It is true, as Senator Page has stated, that he did want to help the farmer, and he did help, but the question was not a question of maximum price. The question was this: In order to encourage the people to break up more land—and you can not do that just for one year, as you know, Mr. Simpson; you must carry that on through a period of years—we must say to them that in no event will you get less than \$1.75 or \$2 a bushel.

Senator PAGE. That is what we did say under that bill, that in no case should they get less than \$1.75 or \$2.

The CHAIRMAN. That is, for the crop grown in 1918.

Senator GRONNA. But it has been carried out in a different way: the minimum has been made the maximum, Senator Page.

Senator PAGE. By reason of this law we passed last year?

Senator GRONNA. No; by the construction of the law—by the administration of the law.

Mr. SIMPSON. There is one more condition as to prices that I want to call your attention to, because it is such a plain thing that anybody can see it. You have all been more or less acquainted with prices of farm products all your lives, and you never saw a time before when the prices of corn, oats, barley, and wheat were all about the same per pound. As far back as any of you can remember a pound of wheat has always been worth about twice as much as a pound of corn, oats, or barley.

Senator GRONNA. A pound of barley is worth more in the Minneapolis market to-day than a pound of wheat.

Mr. SIMPSON. Yes, sir; some of the prices run a little more even.

Senator GRONNA. And a pound of rye is worth more than a pound of wheat.

The CHAIRMAN. And you can raise more barley and rye per acre than wheat.

Mr. SIMPSON. Of course you can raise more bushels; that is the reason there has always been a difference of two to one.

The present ratio is not a natural condition; it was caused by the restriction placed upon wheat. The other grains had to take their chances in the open market, and they reflect the cost of production, which wheat was not allowed to do. I think that is all I want to say on that.

The CHAIRMAN. I understood you to say, Mr. Simpson, you sold your wheat before the price-fixing went into effect at about \$2.75?

Mr. SIMPSON. Yes, sir; I sold my wheat in the early part of August for \$2.75 a bushel. We got as high as \$2.85 at the best market points before the price fixing.

The CHAIRMAN. Now, I want to ask you about the purchasing power of the \$2.75 you received last summer as compared with the purchasing power of \$1 when you used to get that price.

Mr. SIMPSON. I do not think the \$2.75 was any better. In fact, I have raised wheat and sold it at 65 cents a bushel, when I made more money than I did last year, when I sold it at \$2.75.

The CHAIRMAN. I believe you made some suggestion about the price of drills?

Mr. SIMPSON. When I came down here at wheat-pricing time I looked up all my old receipts for machinery that I bought when I moved to Oklahoma. I paid \$55 for my wagon and got two spring seats with it, because that was going to be my buggy as well as wagon. I went and priced the same thing 15 minutes before I took the train to Washington at wheat-pricing time, and that wagon then would have cost me \$135. My drill cost me \$50; it was then \$165. A lister that I bought for \$40 was then \$105. The barbed wire that went around my place that I paid \$2.10 for—and it had gone up just before I bought it—is now \$8. There were some other articles, but those are enough.

Senator GRONNA. I think it is pretty safe to say, Mr. Simpson, with reference to farm machinery, that it has gone up. Not only machinery, but everything that a farmer has to purchase that is made of iron or steel has gone up all the way from 50 to 200 per cent.

Senator KENYON. Within what time, Senator?

Senator GRONNA. Well, since 1914; that would be about three years.

The CHAIRMAN. Mr. Simpson, I wish you would now take up the matter of labor.

Mr. SIMPSON. The labor shortage is a serious menace to increased production of anything on the farm. Just as I said, it is going to take prices that will show some profit in order to increase the production, for the reason that you have got to get people to work more than they naturally like to work and more than they ought to have to work. What are you going to have to do to get increased production? You have got to take these women that are now employed in keeping house, you have got to take your girls that are going to school and some of them teaching music, and put them on the binder or to shocking wheat. I saw some of them doing that last year, but they have got to do more of it than ever.

I want to give for the record some figures that I have tabulated from the Provost Marshal General's report that will show that you have taken a higher percentage of farm boys into the Army than of almost any other class. I have gone through all the classes, and here is what I have found: Agriculture, forestry, and animal husbandry, total registered, 2,564,133; total accepted, 217,285; per cent taken of this registration, 8.47 per cent. Actors, artists, showmen, etc., 7.85 per cent. Breweries and other liquor factories, 8.38 per cent. Banking, brokerage, insurance, and blue-sky artists, 6.83 per cent. Textile mills, 6.30 per cent. Barbers, bartenders, saloon keepers, etc., 7.99 per cent. The only thing that I had to figure out is this, that Gen. Crowder gives the percentage or ratio to the population of the industry, instead of to those registered. Taking it according to those registered, it shows that farming, as I have figured, furnished the largest percentage of any of them.

Senator GRONNA. This is true, is it not, that the farm boys, of course, registered the same as the boys in any other industry, and the farm boys are strong and healthy, and a larger percentage of them passed the physical examination? I suppose that is the reason more of them were taken.

Mr. SIMPSON. Yes, sir; and I want to say something for your health department. I think these things you already know; I am giving them to you first-hand. I was billed by a county agent to organize in a county in Oklahoma for a week in November, and a Mrs. Dr. Tucker, representing your health department, was billed to be with me at each meeting place. She just went one night—the first night. She made about an hour and a half talk, and she said that the condition of the farm boys' health was awful, that five times as many of them had been turned down in physical examinations as of the city boys; and then she said the reason was because they did not have the benefit of medical inspection, etc., and had not had this cut off and that cut off, and we would have to get some medical legislation that would permit doctors to come out to the country schools and examine all country-school children so that they might have a standard of health like that of the city folks.

Now, when I followed, of course I made a few remarks about that, and she never appeared at any of the other meetings. [Laughter.] I told her I did not blame her, that the doctors were putting up a job on her, and that the Government figures would not show that when they came out. And I have that report here. Gen. Crowder's figures show that it was about a stand-off between the city boy and the farm boy, but Gen. Crowder was not quite fair in that, because he included among the farm boys those in cities of under 30,000.

Here are the figures by States: South Dakota, 85.87 per cent of those that were called to be examined passed.

Senator PAGE. Of the farm boys?

Mr. SIMPSON. No, of the State; it is an agricultural State. Nebraska, 79.85; Wyoming, 78.47. Those were the three highest. Then I took the three lowest: Pennsylvania, 53.33; Connecticut, 53.70; Vermont, 56.18.

Senator GRONNA. Have you gotten North Dakota there?

Mr. SIMPSON. All the agricultural States run about 77 per cent, except these three that were exceptionally high, and when you get down in the extreme Southern States, down among the negroes, they run a little lower. But the manufacturing and mining States all run much lower.

Senator GRONNA. So the truth of the matter is that the agricultural labor, the men on the farms, really have furnished a larger percentage than any other class of people? We are safe in assuming that that is correct, are we not?

Mr. SIMPSON. Yes, sir; I think so.

I have just one other thing I want to put in the record, and that is Secretary Houston's speech that he made here right after you had passed your food-control bill. It was not very encouraging to the farmers. The first of a series of five regional conferences on agricultural laws was held in Washington, D. C., August 15. This is part of Secretary Houston's address [reading]:

Price-fixing legislation.—I speak of this because there may be doubts in the minds of farmers as to whether they will take too great risk in planting a large wheat acreage next year. I am no prophet. None of you perhaps would be willing to dogmatize, but I think we might agree that the economic conditions will be such as to assure wheat producers a normal and profitable return. We should bear in mind also that in the food-control bill this compensation matter has been dealt with by the Congress. The intention of Congress is reasonably

clear. It seems that it intended that the wheat grower should have a guaranty of at least \$2 a bushel. But it is difficult to interpret section 14. It starts out very valiantly, leaving it to the President to determine whether there is an emergency which may require the stimulation of the production of wheat and authorizing him to take steps, in case he determines that there is such an emergency, to assure the farmers of a reasonable price—of a guaranteed minimum—and authorizing him to make rules and regulations. Then Congress inserted the statement "that the guaranty shall not be dependent on the action of the President but shall be absolute." I do not know just what that means. It does not make it the duty of anybody to carry out this thought. It is not dependent on the action of the President. It does not say on whom it is dependent. Nor does it state what the price is, except that it shall not be less than \$2. But, taking the language as a whole, it was clearly the intention of Congress that there should be for the 1918 crop a guaranteed price of not less than \$2 a bushel. I am not prepared to speak for the Food Administrator, who is to deal with this section, and doubtless there will be forthcoming a clear statement of his conclusions at the proper time.

The CHAIRMAN. Mr. Simpson, you think that there will probably be less wheat grown in the United States in 1918 than there would have been if this \$2.20 price had not been fixed?

Mr. SIMPSON. Surely.

The CHAIRMAN. You were here when this food bill was pending. Was it ever suggested to you that an arbitrary price would be fixed on the crop of 1917?

Mr. SIMPSON. I was not here when the food bill was pending. I was here when the food committee was balloting on the price.

The CHAIRMAN. Do you think if the minimum price were raised by Congress to \$2.50, say, it would insure a larger acreage of spring wheat and prevent the turning under of the considerable acreage of winter wheat?

Mr. SIMPSON. Yes, sir; \$2.50 to the farmer would be enough to save a good many million bushels.

Senator SMITH of Georgia. Do you think that the minimum price is what holds down the price of wheat, or is it the restrictions of the market and the restrictions of the machinery for sale that depressed the price?

Mr. SIMPSON. It is the restrictions.

Senator GRONNA. Don't you think, Mr. Simpson, that in order to give the farmers reasonable assurance you would not only have to fix a price but assure them what they would get?

Mr. SIMPSON. Oh, yes; no roundabout rumors or reports are going to make them plant more.

Senator SMITH of Georgia. The minimum price was put in the bill by those who desired to protect the farmer. They took the position that the restrictions that were being put on the sale might depress the price, and they must give the farmer a minimum price of not less than \$2. That is the history of the legislation.

The CHAIRMAN. That was the motive.

Senator SMITH of Georgia. That was the motive of the minimum price.

The CHAIRMAN. It seems to be Mr. Hoover's theory now that this price is an absolute price that can not be raised, which is contrary to the view of those who passed it and the theory upon which it was passed.

Senator GRONNA. I think it is only fair to say that it is going to be interpreted that it is absolutely the maximum, unless the law is changed.

Mr. SIMPSON. I would like to say one thing more, and that is that what the farmer has to pay for mere by-products, shorts, brand, etc., is still away up there nearly where it was at the very time we were getting \$2.75 a bushel for our wheat. I have a letter here which I received this morning [reading]:

FARMERS' UNION EXCHANGE,
Bessie, Okla., February 12, 1918.

Mr. JOHN A. SIMPSON,
Washington, D. C.

DEAR SIR: Wheat and feed prices for last week: No. 2 hard wheat, \$1.95 last week; shorts, \$2.85 per hundredweight.

Yours, fraternally,

CHRIS SCHMIEBER,
Secretary-Treasurer Local No. 5055.

Senator GRONNA. I took that matter of prices of feeds up with the Food Administration, and I received a reply that the prices had been reduced; but I understand that only applies to carload lots. What do you know about that, Mr. Simpson? Of course, every little farmer could not buy a whole carload.

Mr. SIMPSON. That is what the miller tells us. I have been to millers and to cottonseed oil millmen, and they say it is a carload price, and they can not sell in carloads because of inadequate supply.

The CHAIRMAN. So the carload-lot price does not avail anything to the farmer?

Mr. SIMPSON. No, sir.

Senator WADSWORTH. Has it been brought to your attention in your country, Mr. Simpson, that the farmers are grinding their own flour?

Mr. SIMPSON. We have little cooperative mills.

Senator WADSWORTH. I mean as individuals on the farms?

Mr. SIMPSON. No, sir; I do not see how they could.

Senator WADSWORTH. They are doing it in my country.

Mr. SIMPSON. They have no way of separating the bran, have they?

Senator WADSWORTH. They just use the whole-wheat flour.

Mr. SIMPSON. That could be done.

The CHAIRMAN. I think it is being done. They have got out a very cheap mill for family use.

Mr. SIMPSON. We have the Midget mill that is put out at Owensboro, Ky.—little 25-barrel mills—and we do custom grinding. That is one way we know what the price of flour could be. We can take so many bushels of wheat, pay for the grinding of it, and get back so much flour and know just exactly what that flour costs. About \$8 a barrel is what it costs.

Mr. TOMLINSON. Mr. Chairman, may I ask Mr. Simpson a question?

The CHAIRMAN. Yes, sir.

Mr. TOMLINSON. Mr. Simpson, in the Monthly Crop Reporter, published by the Agricultural Department, they estimate the number of hogs in Oklahoma on January 1, 1918, to be 1,219,000. As I understood your remarks, you stated that according to the official State figures in Oklahoma that went out on January 1 you had about 800,000. Is that correct?

Mr. SIMPSON. We had in 1916, 800,000, or a little less, and it dropped 200,000. That is the official assessors' report.

Mr. TOMLINSON. In the Department of Agriculture's report for 1916 they credit you with having 1,219,000. How do you explain the vast difference between your estimates and the Agricultural Department's reports, and do you credit the reports of the department?

The CHAIRMAN. I think I can answer that. If you take the estimates in this Crop Reporter of the Agricultural Department on all sorts of live stock running up to the census year, you will find that when the census is taken there is just about the discrepancy between the figures you give and Mr. Simpson's figures.

Mr. SIMPSON. There was a report put out by either the Agricultural Department or Mr. Hoover's department—and I think Mr. Hoover gets his figures from the Agricultural Department—that said that hogs fell off 5,000,000 in the United States in 1917, as compared with 1916. They said there were in round numbers 65,000,000 hogs in 1917, and they came down to 60,000,000 in 1917. Now, this monthly crop report shows that we increased the number of hogs, sheep, horses, and even cattle, when they died by the hundreds of thousands. That is one of the most inaccurate reports that I ever saw.

Mr. TOMLINSON. You do not believe this, then?

Mr. SIMPSON. I do not. Such reports are a joke with farmers.

I went over to the Agricultural Department to investigate where they got the average prices for wheat, and they said from the mills and elevators, having at least one in a county. I took May, 1917, and got them to turn to my own State, and I took two counties right close together. One elevator reported that the average they paid for May, 1917, was \$2, and in a county right close to it another correspondent said they paid an average of \$3. For June the lowest was \$1.40 and the highest \$3.15. What do you think of such figures as that?

The head of this department said these figures were accurate, because direct from the elevators. Now, anybody knows there is no such spread in prices as that in a distance of 50 miles. They asked me: "How would you get it, Mr. Simpson?" I said: "Have a man in each town that on a certain day in the month goes down to the elevator, and as the farmer comes in with his wheat have him get the weight ticket, that shows how many bushels there were in that load, what it tested, and what he got for it. If you will get that from all over the State and all over the United States, then you will have something accurate. The mills and elevators do not care what kind of a yarn they give you about what they are paying."

Senator GRONNA. The mills have not paid even the \$2.20 in my section of the country this year; that is, the wheat has not brought that, although this is a year when every farmer in the country raised No. 1 hard. The wheat would be mixed with other grain, and if it was mixed with a small percentage of other grain it would be docked a number of grades. The chief inspector of the appeals board was here this week, and I have his written statement. I shall not take time to read it; but he says the average price to the miller in Minneapolis this year has been, he figures, all the way from \$2.09 to \$2.12. So it is not true that they pay \$2.20.

Mr. SIMPSON. You can write to a hundred mills and ask them what they are selling shorts and bran and flour at and get the reports back, and then you can send an agent around to the merchants in

those towns, with authority to make them give up their receipted bills for flour, bran, and shorts for those mills—because they won't do it without authority—and you will have two different sets of reports.

Senator GRONNA. Senator Smith, I do not think you were here the other day, when I submitted to the committee a sample of grain which I raised. I had testimony here from two commission houses; one was a farmer's commission house and the other was a chamber of commerce commission house. Both of them conceded that it was the very best variety of wheat, but it had 4.3 per cent of rye in it, and on account of that they reduced it to No. 5 and the price was reduced 24 cents a bushel. That is the way the thing is being handled to-day.

The CHAIRMAN. We are very much obliged to you, Mr. Simpson. I believe Senator Gronna wanted us to hear Mr. Mozley.

STATEMENT OF MR. W. J. MOZLEY, FARMER, DICKINSON, N. DAK.

Senator GRONNA. This gentleman, Mr. Chairman, is Mr. Mozley, from Dickinson, N. Dak. He is a farmer. I think that is the only business he has.

Mr. MOZLEY. Yes, sir; and I am a member of the State council of defense.

Senator GRONNA. He farms, I think, two sections of land in the western part of our State.

The CHAIRMAN. Mr. Mozley, please state your full name and address, and then proceed in your own way.

Mr. MOZLEY. W. J. Mozley, Dickinson, N. Dak.

Mr. Chairman and Senators, what I have to say this morning will be in a kind of rambling way, because I have a lot of ground to cover, and in going over this I may take on quite a lot of territory in a short time. But I want to get a few facts before you in the most concise way and not take up any more of your time than necessary.

I want to begin with the season of 1916; I just want to go back one year. In the States of North Dakota and South Dakota in 1916 we had a very promising crop, starting out in the spring, and we figured we would have a very large year. About three weeks before the harvest was on I discovered that our country was struck with rust. I so reported at once to the Agricultural Department at Washington, and they sent a man up there, and he wanted to know where this trouble started from. He came right to my office, and I told him the facts. He said, "I would like to go about and see some of the grain." And so I took him in the car, and we went out 40 or 50 miles, and I got samples of grain from various fields. When we got back to the office he said, "There is nothing alarming in the condition at all." He said "You have made a great mistake." "Well," I said, "if I have made a great mistake I am sorry; but I do not think I have."

About that time in came a representative of the railroads. This had got noised about. In walked their agent. He said, "I wonder who started something up here?" I said, "I guess I did." "Well," he said, "will you tell us what you know about it, then?" I showed him the samples of grain, and he looked at it, and he said "There is nothing alarming about it."

Three weeks later I made another report. At this time I made a report of 35 per cent loss—that there would be 35 per cent loss on account of this rust. Three weeks later I reported 65 per cent; and, as a fact, gentlemen, we lost 75 per cent. The condition of our wheat when it came to market was such that it graded away down. You know we have a fourth grade, and it jumped from that to no grade. You feel a bag of this kind of wheat, and it feels as if you were handling a bag of bran. We got an average yield of about 4 bushels per acre. Through the western part of the State and down in the southern part some of it was not as good as that. We got an average of about 75 cents a bushel for it. We had a very poor oat crop. That was struck with rust. We had oats there that promised 65 and 75 bushels an acre that we got about 15 bushels out of, and it was light stuff at that.

Leaving that, we go to the spring of 1917. Everybody jumped in, because the word went out that we were to put in all the acres we could and try to retrieve all we had lost, and we were to feed the world, and all that. So the farmers responded and went beyond their means. Many a farmer up there, thousands of them, had to borrow money to put in that crop. We had a promising looking crop up until the 1st to the 10th of June. The wheat got up to about 6 or 7 inches high and looked fine. That is where the rain stopped. The fact is that west of the river, for the acres planted, the yield was not to exceed 2 bushels of wheat per acre. In the eastern part of the State they had little patches that we heard of through the papers that made from 15 to 20 bushels to the acre, little spots that happened to be favored by rain.

Now, at this time thousands of those farmers up in that western country say, "I don't think I will tackle that wheat proposition again; I think we will plant some oats, we will plant some barley, we will plant some corn, and we will summer fallow some of that ground if we have sufficient moisture." We went into the winter this winter with the driest weather we have ever had. There is absolutely no moisture in the ground. We have got to depend on a little snow that melts in the spring and the spring rains.

On that ground I should say that there must be a good substantial price offered if you are going to have even a normal crop. If it went out from here this week or within a week or 10 days that there would be \$3 a bushel minimum for that crop it would be the means of inducing the farmers to put in thousands and thousands more acres.

I just want to say a word in connection with the labor situation. Our boys have gone from the farms. Our best help is gone—men that have worked in that country for years; men that you could take and say, "Here, John, you go out and take the four-horse team and go on the drill"; or, "Jim, you can do this." That is all you had to say. Now you go out and pick up some of these fellows that never were on a farm before and you have got to trust them. You have got to trust a \$1,000 team in the hands of a man that is not worth 8 cents.

Last fall my boy sent a man out with four horses and a binder. He got him down there and got him straightened out, and my boy went ahead with one binder and the other fellow followed. If he

had let them alone the horses would have gone straight enough, but he pulled and hauled and got them in the grain. Finally at noon my boy got his team unhitched and he was throwing the bridles up on their hames, and he turned around and this fellow had unhitched the horses all at the front end and the lines were put up and the tugs were not unhooked. There was a team that was worth \$1,000, high-spirited horses, too, and that is what we are up against.

The indebtedness of the farmers of the Northwest is something awful. For the last 10 years I have farmed in that country on that farm, and I will say that with no exception I have as good land as there is in North Dakota. I have farmed there for 12 years, and in that time we have had three failures, and that is as good as any State in the Union can show. The indebtedness of the farmers in that country is caused generally by this one condition, and that alone. We have raised as fine crops there as they have raised anywhere. My farm average for the 10 years, excepting the three years of drought, has been 20 bushels of wheat per acre. My farm has always yielded not less than 40 bushels, and I have often had 65 bushels of the finest oats. There were years and years in there when we have had acres of barley, and three or four years ago I had 5,000 bushels of as fine barley as you ever saw and there was not a mill that would buy it. You could load it on cars and ship it, but you could not get any bid.

The average of wheat in that country for the last 10 years at the local elevators—to say nothing about the little 2 bushels that we had to sell this time—has been under 80 cents. In years past when labor was cheap and when we could raise 20 bushels per acre we could produce wheat at 70 cents per bushel, not considering the investment in land and equipment. Of course, we can not do that now, on account of low yield and high-priced labor and equipment.

Senator GRONNA. You mean in normal times?

Mr. MOZLEY. In normal times. Take it right through for the entire period up until this last year, and it has cost us 70 cents a bushel to raise it, and it costs us exactly 5 cents to haul it to town with our own team in the winter.

I am certain that if the price of the next year's crop, 1918, is raised one-third it will induce at least 25 per cent more production, but if it is left where it is I believe the production will even fall 25 per cent below what they really intended to put in.

Senator GRONNA. You believe, then, Mr. Mozley, that if a price of \$3 were fixed it would stimulate production at least 25 per cent more than the normal? Is that what you mean?

Mr. MOZLEY. No; I do not believe you can produce that much above the normal. No, sir. But I do believe it will increase somewhat over the normal crop of North Dakota. Ours is a wheat State. At the present time oats with us are worth \$1 a bushel, and they are shipping oats in there. They shipped in a trainload the other day.

The CHAIRMAN. Do you average 2 bushels to one of wheat per acre?

Mr. MOZLEY. About 3 with us, easily.

Senator GRONNA. About 2 bushels of barley and 3 of oats?

Mr. MOZLEY. Yes; all the time. We have raised corn for the last 10 years, and this year is the first time I have had a complete failure. We have two silos on the farm, and it takes 40 acres of corn to fill

the silos each year. We let the corn ripen. We do not plant a large acreage of corn, but we let it ripen and it has ripened about 6 years out of 10. This year the corn did not get any higher than this table.

Senator WADSWORTH. What is the capacity of those silos?

Mr. MOZLEY. A hundred tons.

Senator WADSWORTH. And ordinarily it takes 40 acres to fill one?

Mr. MOZLEY. To fill the two.

Senator GRONNA. Mr. Mozley, with the labor conditions and with the other conditions is it not reasonable to suppose that the only thing the farmer can do—that is, the small farmer—is to begin to diversify and begin to raise a few head of stock, some pigs and chickens, and get along the best he can, because he is not able to go into wheat farming with the present prices? That is, with the average yield that we get? Is not that true?

Mr. MOZLEY. Yes, sir; that is true.

This last summer I tried to get some outside relief when I saw that the hay crop was short and the grain was short. In that part of the country we have a lot of pure-bred cattle, and we have a lot of fine grades, and we are doing everything possible to build up the live-stock industry. Over 50 per cent of that stock had to go to the shambles on account of there not being feed enough, and a great deal of that, of course, was in an unfinished state. I really think that 50 per cent of the live stock has been taken out of North Dakota, the entire State, and the hog crop is almost depleted on account of the high price of feed. If a regulation had been placed on the millers so that we could have got shorts for what it was worth, we could have saved a large lot of hogs. On that farm there alone we usually raise enough hogs so that we market from 300 to 350 every fall. This fall we sold as many as we could, off of the alfalfa pasture, and then we had to sell the late spring pigs—that is, the smaller ones—that we had intended to carry over until next spring. We loaded a wagon with a hog rack that was 18 feet long, and put in it just as many 60-pound pigs as would go in that entire rack, every one of them registered stuff, and took them in and sold them to the butcher.

Senator GRONNA. A lot of immature stock?

Mr. MOZLEY. It was immature; yes, sir. I want to say something about the small cattle raiser in relation to the feeder. I do not think it was touched upon; if it was it has escaped my memory. The cattle feeder depends to-day upon the small farmer to produce the feeders. They take up the feeder cattle from the farms as they are shipped in to the terminal markets. Our terminal market is South St. Paul. A great many farmers there have begun to raise cattle so that they can get a few feeders for themselves. I have been buying about two carloads of these feeder cattle from the neighbors in that country, besides what I could raise and fatten, every year now for the last five years up to the present time, and this year we had to reduce the number of our yearlings which would have gone into the feed lot in the spring. I sold them at from 12 to 14 months old, when they should have gone on and been finished this spring. That condition exists all over the country.

In relation to the labor question, I do not believe it will be possible to get men unless we bid against the factories in the open

market. I think we have got to be able to pay an extraordinary price this year in order to get any help.

Senator GRONNA. Do you not think you will have to pay about \$3 a day and board?

Mr. MOZLEY. All summer long.

Senator GRONNA. That will amount to about \$125 a month, will it not—that is, the cost to the farmer?

Mr. MOZLEY. Yes, just about. On our farm we usually have three men in the spring, four men in the haying season, and five men at harvest, and we keep those five men until it freezes up. This year I am going back to the farm; I was off last year attending to some other business but I have got to go back and get into the harness, and I will have my boy, but I do not know of one single man now that I can get. They have taken a man that has worked for us for 10 years. He has got to go; they put him in the first draft. I consider that man as of more value than any two men you can go to town and get that have not had practical experience on the farm. The towns are overrun with an element of loafers. You can take our manufacturers of these soft drinks, you can take the breweries and any number of other businesses—Mr. Simpson had a list showing that those men could have been taken out of industries where it would have been absolutely a benefit to the country to have had them go at this time and it would not have been necessary to touch a single man who could have been more useful either in the shop or on the farm.

Senator GRONNA. With reference to the production of wheat, Mr. Mozley, it is really the small farmer that produces the excess?

Mr. MOZLEY. The excess? Oh, yes.

Senator GRONNA. It is really the small farmer that produces the largest amount of grain?

Mr. MOZLEY. Yes.

Senator GRONNA. And that is true also, I suppose, with regard to cattle, is it not?

Mr. MOZLEY. Yes, sir; it applies to both, and this year above all times. I will give you an instance. A neighbor of mine lives about 7 miles from me—we call ourselves neighbors in that country if we live 12 or 15 miles apart. This man is farming 800 acres of tillable land, besides his pastures and hay lands. He has two boys in the first draft, and the man himself is broken down in health and can not do a thing. Can you replace those boys on that farm? You will find in that country families where they have got six or seven children, and they are brought up to work right in the fields. We have a lot of Hungarians there, people that are used to working in the fields, from little babies up. Those people will go on this year and produce just as much as they ever did. They will plant every acre they can plant, but where help has got to be employed it is going to be something very, very serious.

Senator GRONNA. Where outside help has got to be imported?

Mr. MOZLEY. Yes, sir. So I say, whatever you do, gentlemen, there is one thing that will speed up production, and it is the only thing, and that is a guaranteed price that is commensurate with the production, so that when a man puts in a crop, if he does raise anything at all, he is going to get something for it. If he loses his crops, he is broke.

The CHAIRMAN. You say a good many of the farmers have to operate on borrowed money?

Mr. MOZLEY. Yes, sir. As I said a little while ago, that condition was brought about by the fact that wheat had sold below its actual value for the last 10 years.

The CHAIRMAN. It is pretty hard for a farmer to sell his product for less than it costs and pay principal and interest?

Mr. MOZLEY. They have done that all the time. Take the farmers in the West to-day, and if it had not been for the increase in the value of the land—if you take those farms and leave the valuation where it was when they purchased the land—there would not be a farmer in the country that would not be broke.

The CHAIRMAN. Your governor called a special session of the legislature, did he not?

Mr. MOZLEY. Yes, sir.

Senator GRONNA. For what purpose?

Mr. MOZLEY. Well, sir, to fix it so the county commissioners in each county could take off the lid—

Senator GRONNA. And issue bonds?

Mr. MOZLEY. And issue bonds or warrants, as the case might be. If they had the money they would issue the warrants, if they had not they would issue bonds, and furnish the people with feed grain.

Senator GRONNA. Seed and feed on time?

Mr. MOZLEY. Yes, sir; altogether on time. In our county alone our commissioner told me the day before I left, "We have applications to-day for \$224,000, and they are coming in every day."

Senator GRONNA. Are you familiar with conditions in Montana?

Mr. MOZLEY. Yes, sir; I am—that is, the eastern part.

Senator GRONNA. Are the conditions the same in eastern Montana as in your section of the country?

Mr. MOZLEY. Yes, sir; and even worse.

Senator GRONNA. How about South Dakota?

Mr. MOZLEY. I am not so very well acquainted with conditions in South Dakota. I had a letter from a man I buy cattle of occasionally, some of this pure-bred stock, and he said that in their immediate vicinity if it had not been for the destructive hail that came through there he would have been pretty well fixed, but it took their corn and it pounded their clover down into the ground so they could not cut it.

Senator GRONNA. It is true, however, is it not, that Montana has also called the legislature together for the purpose of enacting laws, to authorize the commissioners to issue bonds?

Mr. MOZLEY. Yes; that was the next week after our legislature convened.

Senator GRONNA. So that in the real spring wheat belt it is untrue that the prosperity of which the newspapers speak so much about exists?

Mr. MOZLEY. There is no prosperity there at all.

After the meetings that have been held here by representatives of the agricultural interests of the United States, we leave this message with you: We have collected all possible data in relation to food production for 1918, and our findings are that nothing but the stabilizing of prices will bring the desired results. We feel that we have done our duty in laying the situation before you and that the responsibility does not rest upon us.

The CHAIRMAN. The committee will now be pleased to hear Mr. Elmore.

STATEMENT OF A. A. ELMORE, SPOKANE, WASH.

The CHAIRMAN. Please state your full name, residence, and business to the stenographer.

Mr. ELMORE. My name is A. A. Elmore; residence, Spokane; and I am president of the Farmers' Union of the States of Washington and northern Idaho.

The CHAIRMAN. Mr. Elmore, we will be very glad to hear from you from the farmers' standpoint on the food, feed, meat, and wheat situation generally and on any of these subjects in particular.

Mr. ELMORE. We feel, gentlemen, that there is a very grave situation and emergency existing at this time. We have been led to believe that food will win the war as much as anything else. The world has a depleted food supply at this time without any question. The surplus of wheat, or the world's visible supply, is practically wiped off the map, according to the estimates of the Agricultural Department. At this time there is practically no visible supply of wheat in the United States. There was not any visible supply at the beginning of this last harvest. It had practically been cleaned up. We have information from the United States Agricultural Department this morning that there is probably at this time 125,000,000 bushels of wheat in Australia. There is probably 80,000,000 bushels of wheat in Argentina that would be available if the world had shipping facilities at command at this time to handle it, but there is not, and it is practically out of the question to get that wheat.

The surplus wheat of 125,000,000 bushels in Australia has been sacked up in sacks in that country, and the mice and rats have infested that wheat and have eaten the sacks up as it is piled up there. Of course, I would like to say this, so that you will remember it when you begin any discussion about the Australia wheat, that the rats and mice have gone into that wheat and have died in there, which probably would not make it of very good flavor. There is at this time coming to our western ports probably 100,000 bushels of Australia's wheat per month; but that is a very small supply. It will probably be good for hog feed. In addition to that, it has enough weevils in it to practically enable it to walk from the docks to the mills.

The CHAIRMAN. And thus save drayage?

Mr. ELMORE. Yes; save the cartage. We are entering the crop year of 1918 with a very bad feature, and that is that the country was practically dried all over the wheat States when they seeded last fall. The Department of Agriculture informs us that they had probably the poorest prospects on the 1st of December, 1917, that there ever has been. I think the statistician said this morning the worst in probably 15 or 20 years to start with, and if we have an increase in production or even the same normal production for 1918 we must get it from the spring seeding. It appears to me that there is one way to get this additional spring seeding, and that is to furnish the farmers with a sufficient price for their wheat that would induce them to put it in or that would make them do their utmost in seeding a large acreage.

Senator GRONNA. What do you think that price ought to be?

Mr. ELMORE. I do not think that it ought to be less than \$2.50 at the farms if we expect an increased production. There are a great number of farmers in our country—and not the majority, however—would make a great lot of money on this \$2.50, but there are probably a larger majority that would not more than meet expenses with that price. I know hundreds of farmers—that is, the farmers in the three Northwestern States—and I am in a position to state this definitely, because I have traveled through every community and every farm district of Washington, Idaho, and eastern Oregon since the 1st day of October up to Christmas time, and I know they did not meet expenses on the price fixed by the commission last fall.

Senator GRONNA. If the commission fixes the price at \$2.50, of course, those farmers will be able to make good money?

Mr. ELMORE. We do not raise wheat in that country by irrigation, only a very small amount.

Senator GRONNA. We have been told by the western Representatives that you do raise quite a lot of wheat.

Mr. ELMORE. There are small tracts. The Twin Falls people in southern Idaho have small tracts ranging from 20 to 80 acres. A larger percentage of that acreage is in alfalfa and clover and stuff like that, and there may be a few bushels of wheat, barley, and oats for the farmers' local use planted on his farm, but you take the great western wheat acreage and it does not use irrigation.

Senator WADSWORTH. What number of bushels per acre would it be necessary to raise at \$2.50 a bushel in order to make a reasonable profit?

Mr. ELMORE. I would say 20 to 30 bushels to the acre.

Senator WADSWORTH. And what has been your average yield per acre out there over a period of years?

Mr. ELMORE. You mean covering the entire Northwestern States?

Senator WADSWORTH. The country with which you are familiar.

Mr. ELMORE. I should say 15 bushels.

Senator WADSWORTH. Then you do not really expect to get 30 bushels?

Mr. ELMORE. Yes; that is what I am telling you. There are certain colonies in the Palouse country south of Spokane which covers four counties along down in the Walla Walla country, where they do get 25 to 50 bushels of wheat per acre, and those farmers will make it. But you take the large part of our farmers and they raise 8 to 15 bushels an acre, and they will not make anything like a reasonable profit on even \$2.50 or \$3 a bushel.

Senator GRONNA. The bulk of the wheat, you say, is not raised under an irrigation system?

Mr. ELMORE. No, sir.

Senator GRONNA. Is it raised under what you call the system of "dry farming"?

Mr. ELMORE. Yes, sir.

Senator GRONNA. Then under that system you only raise a crop in every two years?

Mr. ELMORE. Yes, sir. We crop it one summer, then plow it or fallow it the next year.

Senator GRONNA. So that when you say 30 bushels per acre it really means 15 bushels per year for the two years?

Mr. ELMORE. I think the statistician gives it as 15 bushels to the acre.

Senator GRONNA. I think that is very confusing to some people who are making these estimates and fixing the prices, and I am sorry to say that a great deal of misinformation has come to Members of the Senate in regard to the production of great quantities of wheat under your irrigation system. I think I can find in the record statements made to that effect. I had always believed there was a very small quantity of wheat produced under irrigation, and I am very much interested in what you are saying in that regard, Mr. Elmore.

Mr. ELMORE. I am familiar with every irrigation project in the West, including the irrigation projects of southern Idaho and eastern Oregon, and I know positively there is not very much wheat grown under irrigation in that country.

The CHAIRMAN. And they have to raise on irrigation land crops that will produce more than wheat?

Mr. ELMORE. Certainly. They have other crops so they can plant alfalfa, clover, and potatoes, which pay them so much more than wheat would. Besides, you can only farm a small amount of wheat under irrigation. In fact, I am very doubtful whether you can really farm it very profitably.

Senator GRONNA. So that even with a large yield such as you mentioned a while ago, it pays much better to raise other crops than wheat; is that the idea?

Mr. ELMORE. Yes, sir; on irrigated land. I might say, Mr. Chairman, that you take the irrigated projects in Montana—and I am quite familiar with the sections of Montana which they have irrigated—and the farmers in the last two or three years have abandoned the irrigation of wheat, because it requires so much attention and so much more care and work in connection with the irrigating of wheat, and the fact that they did not raise such a good quality. Wheat raised under irrigation has a tendency to soften and reduce its quality or deteriorate its quality, so that they have abandoned irrigation in the wheat sections of Montana where they irrigated large areas, and they have practically done away with the irrigation systems there and have not used it for two or three years although the water has been available.

The CHAIRMAN. If the Government would guarantee \$2.50 per bushel there is no reason to think that the Government would have to pay that?

Mr. ELMORE. The market price would have to be that or more. I certainly do not think that the Government would have to pay that in the final analysis.

The CHAIRMAN. If the market price was over \$2.50 the Government would not be involved at all. The farmer can not, no more than anybody else, raise wheat at no more than cost to produce it: is that a fact?

Mr. ELMORE. He certainly can not.

The CHAIRMAN. Not only must the farmer realize a profit on the wheat, but he must realize a profit on it that will bear some sort of a ratio to the profit he could realize on other crops, otherwise he will produce the other crops?

Mr. ELMORE. He certainly will. A great many of our farmers in Idaho have planted beans on farms out there and have realized a much larger profit than they have on their wheat. The same is also true of potatoes, at a price running \$20 to \$30 a ton, and they raised 3 or 4 tons per acre, so they can even make more on potatoes and beans than on wheat at the prices fixed, with the expense in connection with wheat avoided.

Senator WADSWORTH. Coming back to your suggestion of \$2.50 per bushel. That would be all right for the man who raised a normal crop, would it not?

Mr. ELMORE. Well, I think, possibly, it would.

Senator WADSWORTH. But it would not be all right for the man who raised a subnormal crop?

Mr. ELMORE. You mean below normal crop?

Senator WADSWORTH. Yes.

Mr. ELMORE. Possibly not. Of course, if he did not get any wheat, \$2.50 would not mean anything to him.

Senator WADSWORTH. Does not that illustrate the impossibility of fixing a rigid price and permitting the industry to grow and the majority of its members to be prosperous?

Mr. ELMORE. Yes, sir.

Senator WADSWORTH. If they fix a rigid price, based upon what somebody calculates is the average cost of producing a bushel of wheat, they always leave out of the calculation how many bushels are going to be produced per acre, and no man can prophesy that?

Mr. ELMORE. No, sir.

Senator WADSWORTH. The effects of climate, weather, and all kinds of things which intervene and control it. Is it not wise, therefore, to take as a basis something near your most unfavorable condition?

Mr. ELMORE. I really think it would be the wise thing to do to do that, and leave it up to the farmer whether he is going to get the normal crop or not.

Senator WADSWORTH. And if you are going to indulge in rigid-price fixing—with which I have no sympathy—and put the price so high that it will take care of the most unfavorable condition that will come along, then you will have everybody producing wheat?

Mr. ELMORE. Your idea is correct; and if you, believing in that theory, can get the balance of the Senators and Representatives down here to believe in that theory, you will be performing a distinct public service, and we will have lots of wheat, I know.

Senator WADSWORTH. But the truth is, the Congress has no power to do that. It is an exceedingly difficult thing to fix prices. We have trusted the Food Administration to fix a price and, in my humble judgment, in attempting to fix the price of wheat it perpetrated the same error as was perpetrated in fixing the price of coal. The Fuel Administration fixed a price at the mouth of the mine based upon what it thought was the average price of producing coal. Some coal mines had to produce their coal at a cost above the average price. That put all of those mines which were unable to produce the coal at the price fixed at the mouth of the mine in a position where they could not produce coal at all. It is the same way with wheat; and if you fix the price of wheat, either Congress or the Food Administration, on the basis of the average cost of produc-

tion. it knocks out of business every man who operates under conditions which compel him to produce it at above the average cost.

The CHAIRMAN. And you have a new average?

Senator WADSWORTH. An average which changes every month of the year.

Mr. ELMORE. You are correct about that. I would like to make this suggestion to you gentlemen here. We are told that food will win the war.

Senator GRONNA (interposing). Before you go into that, I want to ask you this: How would you farmers feel about this, and what would be your judgment in the matter: Would it be an advantage if we should repeal this price-fixing law?

Mr. ELMORE. You mean eliminate it entirely?

Senator GRONNA. Yes.

Mr. ELMORE. That question is asked in the price of corn and other cereal products, so far as that is concerned, because wheat is always worth more than corn, oats, or barley.

The CHAIRMAN. Then you are urging that the price be fixed on corn and barley?

Mr. ELMORE. Not particularly; but what we would like to see is that if the price is going to be fixed on anything we would like to see them fix it on everything.

Senator WADSWORTH. Would you not get into a hopeless snarl if you ever started on that? I understand your situation and I sympathize with it, but I hope you do not propose as a remedy that we go further with this error.

Mr. ELMORE. We hope, then, that you eliminate it if you do not go further.

Senator WADSWORTH. That is a different proposition.

Senator GRONNA. That is the only reason some of us voted against that proposition, because it only touched an industry which never was and never can be a monopoly, and we thought it was unfair to take the only business which has never been a monopoly and restrict the prices of that and then make these same people buy in an unrestricted market—and you know what prices the farmers have to pay?

Mr. ELMORE. I certainly do. The farmers do not feel good about having their hands tied behind their backs, and then have the other fellow come up and sell him everything that enters into the harvesting of a crop at anything he chooses to sell it at.

Senator GRONNA. Not only that, but is it not making it impossible for the farmer to continue?

Mr. ELMORE. Yes; it does. With reference to the question of food winning the war, that is not the only element that enters into the winning of the war, so far as that is concerned. Food alone will not win it. There will have to be other things that enter into the winning of the war—ammunition, of course, for instance. This Government of ours is investing billions of dollars in ammunition and cantonment plants and various things like that; also shells and other munitions of war. When this war closes we will probably have no more use for those bullets and shells—that is, if we settle this, as I hope it will be, on a permanent basis—they will have no further use for those munitions of war, although they will have hundreds of millions of dollars invested in them. If food will win the war, why can not the Government invest something in the extra production of food?

The CHAIRMAN. The munitions on hand at the close of the war will probably be a total loss and wheat will not be.

Mr. ELMORE. Wheat will not be a total loss then; it will always have an intrinsic value, as it always has. They might lose money on wheat; but if wheat will help to win the war, they can afford to invest some money in it as they are in other things.

Senator GRONNA. I think that is a very good argument.

Mr. ELMORE. The Government will not have to invest really; the consumers will have to invest in our products on that kind of a basis. We are not asking the Government to make an appropriation to raise the price of wheat. We are asking it to fix a price at which the consumers of this country will have to pay more.

With reference to the question of "taking the lid off," at this time the Food Administration is the only buyer of wheat or the grain corporation: If the lid is lifted and we are allowed to go into a free and open market and we find the grain corporation the only buyer of wheat, we are in no better condition so far as that is concerned than we are now. The United States is a big corporation, and the Food Administration will have to step down and get clear out of the way.

Senator WADSWORTH. That is what I meant when I said Congress had no power to remedy that situation, because the Government is the buyer.

Mr. ELMORE. Then, I see no other way than for the Congress of the United States to fix a definite minimum price; that is, if it is to continue to fix the price.

Mr. Chairman, I do not know that I care to talk any more upon this subject.

The CHAIRMAN. I want to ask you a question or two. Do you not think, Mr. Elmore, that the fact that we have wheatless days is the best of all possible proofs and is an undoubted admission that we have not got enough of wheat?

Mr. ELMORE. It certainly is.

The CHAIRMAN. Does it not follow from that that we ought to encourage rather than discourage the production of wheat?

Mr. ELMORE. Certainly.

The CHAIRMAN. Is not the fact that we have beefless days the best of all possible proofs that we have not enough beef and that we rather ought to encourage rather than discourage an increase of its production?

Mr. ELMORE. Yes, sir.

The CHAIRMAN. And, likewise, is not the fact that we have porkless day the best proof that we have not got enough hogs, and that we ought to encourage instead of discouraging the production of hogs?

Mr. ELMORE. Certainly.

The CHAIRMAN. You gave some figures about barrels of flour. Those figures are interesting to me. Can you give that now?

Mr. ELMORE. I figured this out, gentlemen, on the basis of \$2.50 a bushel on wheat, the mills would have to pay the farmers \$9.85 per barrel for the wheat at their farms—that is, on the assumption that 4½ bushels make a barrel of flour, while under favorable conditions it will require 4 barrels and 22 pounds.

Senator GRONNA. That is what they are using in our country—4.20.

Mr. ELMORE. Four bushels and 22 pounds is the lowest ruling of the Food Administration. Figuring on the basis of 6 cents a bushel to carry this wheat to the mills from the farm, and adding \$1 for the manufacture of the wheat into flour, adding 25 cents per barrel for net profits to the mills, which the Food Administration has allowed them, and then 40 cents per barrel for retransportation to the consumers of this country, and \$1 per barrel for the retailer's profits would bring the wheat to \$12.80 per barrel.

Senator WADSWORTH. Have you figured in the cost of the barrel?

Mr. ELMORE. Yes; I figured in the cost of the barrel at \$1 per barrel for manufacturing; that covers the cost of manufacturing and sacks.

Out of this, gentlemen, you have a by-product that is worth, say, 2½ cents a pound. There are 70 pounds of by-products in a barrel of flour. That would be worth about \$1.40 per barrel for by-products, and \$1.40 deducted from \$12.80 would leave you \$11.40 per barrel for your flour. There are 300 loaves of bread in a barrel of flour. Reducing that to units would bring your bread down to about 3 cents per loaf.

Senator GRONNA. What is the weight of the loaf?

Mr. ELMORE. I think it is 16½ ounces, is it not, or 11 ounces? I am not sure, Senator. As a matter of fact, gentlemen, your flour bill is about the smallest bill you have in connection with your living expenses. At \$2.50 per barrel, about the smallest item of expense in connection with your living is flour. There is hardly a man, woman, or child in these United States that does not spend more for going to the show than he does for bread at \$2.50. Then I can not see any reason why Mr. Hoover or the Food Administration or the grain corporation or the Congress should object to allowing farmers \$2.50 for wheat, which will stimulate production. Senator Gore, with reference to the two wheatless days a week which we are having at this time, if the farmers are not given sufficient encouragement to induce them to plant a larger acreage, instead of having two wheatless days this coming year we will have about four or five wheatless days a week.

The CHAIRMAN. Or probably will have wheatless weeks?

Mr. ELMORE. Probably we will have wheatless weeks. It is not a question of patriotism, nor is it a question of profits that is entering into this business that we are asking for; it is a question whether the farmer can or can not, and if he can not, he can not; that is all there is to it.

Senator GRONNA. Do you think it is a saving to the public having these wheatless days? Do you think they are saving any money by consuming other foods besides wheat?

Mr. ELMORE. I think that that has probably saved some wheat; I do not know whether it is saving other foods.

Senator GRONNA. It saves wheat, but does it save anything in the expense to the consumer?

Mr. ELMORE. Undoubtedly it does not, because at this time we are paying in Washington and Idaho 8 cents for corn meal while we are paying 5 cents a pound for flour.

Senator GRONNA. Do you know of anything cheaper in the way of foods than wheat, even at the present price?

Mr. ELMORE. They are selling the whole wheat flour for a higher price than ordinary white wheat flour.

Senator GRONNA. Have you investigated as to the profits the miller is making in your country on wheat at present prices?

Mr. ELMORE. Yes, sir.

Senator GRONNA. Do you think they are only making 25 cents a barrel, as we have been informed?

Mr. ELMORE. I have not been able to figure it out on that kind of a basis, taking 4 bushels and 30 pounds of wheat to the barrel, and taking the prices at which they are selling their flour to the retail trade or at their mills made my figures which show that they are making from \$1 to \$2.25 a barrel.

The CHAIRMAN. Mr. Hoover indicated that the reason he did not take into his calculations the by-products and shorts was that he expected the millers to realize their profits on those things, in order that flour might be kept down to \$12 per barrel.

Senator WADSWORTH. Speaking of wheatless days, while it is true that they may not save our consuming population any money, and that we may spend just as much buying other food instead on wheatless days, the object of that is pretty plain, that the populations of our allies do not know how to use corn, while most of our people are accustomed to using it for food; and I do think it is a wise thing for us to curtail our domestic consumption of wheat so that we can sell to them a larger surplus, they having been so accustomed for centuries to the use of wheat that they will not and can not use anything else. I do not think that has any bearing on the question. I would just as soon see three days a week wheatless in this country as one; we can live just as comfortably ourselves. But I want to see more wheat produced, not only for ourselves, but for France and England. There is no saving in money one way or the other.

Senator GRONNA. If we expend more money by saving this wheat for the allies, of course, I approve of that. If there is a shortage of wheat I believe we ought to have wheatless days. But if by taking this same amount of money and advancing the price of wheat and stimulating the production where is there any saving? And I think it is possible to do that. I am not going to take the time of the committee now but I shall do so before the hearings close, when I shall offer official figures as to the cost of the manufacture of flour, and I will say that I have procured these figures from official sources, and I shall not be afraid to mention names in stating where I got them; and I shall prove that in addition to 25 cents a barrel which the miller is allowed to make that their earnings are really much more. I shall also prove, if the committee will permit me, by letters from such men as Julius Barnes, that it does not cost a dollar a barrel to manufacture. It was put up to him that it cost 38 cents, and he acknowledged over his own name that it only cost 51 cents a barrel and that in addition to the 25 cents the miller is making to-day, according to the prices paid, \$1.80 above the profits which have been mentioned in the papers. I think it is interesting to let that go in, and I say I can substantiate that by figures furnished me by those who are in a position to know.

Mr. MOZLEY. Mr. Chairman, may I say just one more word? Is it not a fact that there is not any corn to-day in the corn belt in sufficient quantity that could be exported?

The CHAIRMAN. I imagine it is very limited, because there is much soft corn.

Mr. MOZLEY. Mr. Hoover's argument the other day, when he tall with you, was that if the price of wheat at this time was advanced to \$2.50 or \$3 on next year's crop that the farmers would hoard wheat they had and would not let it go so that they could sell it next fall's market. Is it not a fact that has been brought out here by men who are absolutely familiar with the situation in the country that they are feeding wheat to hogs, and would it not be far better at this time to make the price of wheat and let it apply on the balance of wheat on hand at this time and conserve that wheat for the all than it would to allow that wheat to be fed to hogs, which is being done daily by the thousands of bushels?

The CHAIRMAN. Do you think it would be better to feed that wheat to soldiers than to the hogs?

Mr. MOZLEY. Yes, sir.

The CHAIRMAN. I think most of us would agree with you. We would now be glad to hear from Mr. Booth.

STATEMENT OF MR. C. W. BOOTH, NEZPERCE, IDAHO.

The CHAIRMAN. State your full name, residence, and occupation.

Mr. BOOTH. My name is C. W. Booth; residence, Nezperce, Idaho; business, farmer; connected with the Washington-Idaho State Union and also with the Washington-Oregon State Union.

The CHAIRMAN. We will be glad to hear from you, Mr. Booth, about the wheat and the meat and food situation generally.

Mr. BOOTH. I did not know that I was going to be called before this committee, and have not prepared a statement.

The CHAIRMAN. That is so much the better. You will probably tell us the truth, which we shall be glad to hear.

Mr. BOOTH. I can only tell you of local conditions. The price of wheat has been fixed as a minimum price on wheat to us in the West and has become a maximum price. We came down here endeavoring to establish a terminal primary interior market. We feel that we have been discriminated against in the market, because when Chicago was fixed as our basic market, we were deprived of the markets that we had prior to the war. The transportation that we had for our surplus grain before the war was bulk transportation at about, I believe in 1914, \$5 a ton, which was the price at which tonnage space could be procured on those boats to New York. As a result of the Government commandeering those boats we went up against the railroads rate to Chicago, which discriminated against us in price, and thus our mission to Washington particularly at this time. The price that has been set on grain being the maximum price we have received and the railroad freights taken into consideration the very best price that the farmers in my part of the country have received is \$1.80.

We raise considerable winter grain there known as the softer varieties of wheat. The difference between the harder varieties and the softer varieties varies from 4 to 7 cents. The requirement of the Government fixed in its grades was that the wheat should weigh 60 pounds to be known as No. 1 deprived us of any No. 1 wheat in the Northwest in my part of the country on those grades of grain because there are such few varieties of wheat that they will not stand

the test of 60 pounds. The result is that it put red Russian on that market as second or third grade. I am telling you this to show you what the farmers have actually received in our country for their wheat.

The CHAIRMAN. What do they receive?

Mr. BOOTH. For the very best grade \$1.35, and it has gone down as low as \$1.60. The result of that is that wheat is the cheapest feed that we have in that country.

The CHAIRMAN. Stock feed?

Mr. BOOTH. Yes. We have been raising a good many hogs in my locality, and we are carrying some of those over that we must mature. Barley at the present time is worth \$68 a ton. It is necessary for us to raise the cheaper grades of wheat that I am telling you about in order to raise any winter wheat, and it puts our wheat at about \$1.60, and therefore the farmer must feed that to mature his hogs at anything like what he can put them on the market for. We have been placed on the market there, I understand, by the Food Commission at 1 cent under Chicago. The price of hogs when I left there was \$14.50, and we can not afford to feed \$64 barley when we get good wheat at \$1.60. So that there is wheat being fed to stock in that country.

The CHAIRMAN. Do you think that is because of fixing the price of wheat below what it would otherwise bring in comparison to other feedstuffs?

Mr. BOOTH. Yes, sir.

Senator GRONNA. According to your statement, simply by fixing a specific price, unless this standardization act is changed somewhat, you would not get all the benefit of that.

Mr. BOOTH. There would still be discrimination on this standardization against us.

Senator GRONNA. The same thing that you complain of is true in my own country. For instance, you take No. 1 hard spring wheat, and if there is 2 per cent of durum wheat or any other good wheat which has a milling quality just as good as No. 1 spring wheat of course it will reduce the grade?

Mr. BOOTH. Yes.

Senator GRONNA. The grade really makes the price, as you know.

Mr. BOOTH. We have certain conditions there where possibly fortyfold wheat might be mixed with blue stem or with marcus, which are our harder varieties of wheat, and if there was a mixture of over 4 per cent ratio, or fortyfold, it would go into what is known as "sample grade"; that sample grade, of course, is worth less than No. 3, but we induced the food commission or the Government to have a committee appointed, and the sample grade now is sold more or less than value. You will understand that the sample grade with 6, 7, or 8 per cent, or even 15 per cent, blue stem would be worth more than No. 1 fortyfold or red Russian, but it is worth less under the ruling or grade.

The CHAIRMAN. And farmers have a good deal of this wheat, for which they can receive only \$1.60?

Mr. BOOTH. Yes, sir.

The CHAIRMAN. Do you know the English Government has granted its farmers about \$1.80?

Senator WADSWORTH. That is over a five-year period.

Mr. BOOTH. Running over a period; I believe there is a difference of price.

The CHAIRMAN. A differential.

Mr. CLEMGARDNER. Mr. Chairman, may I ask a question?

The CHAIRMAN. Certainly.

Mr. CLEMGARDNER. Mr. Booth, you say you got about \$1.70 for your wheat last year?

Mr. BOOTH. I say our best price was \$1.85 and that we got as low as \$1.60.

Mr. CLEMGARDNER. That is based on the present rate for 1917?

Mr. BOOTH. Yes, sir.

Mr. CLEMGARDNER. Next year you see it is \$2 Chicago and 30 cents freight, and then they take off grade, and what are you going to get out there? I am a wheat raiser. I can not talk, and my boys came along for company, and I have not said anything. On the other hand, I am familiar with the situation, because I live among these common fellows and I myself am the fellow who is behind the plow. I just want to get clear that it is \$2 and not \$2.20, so this reduction is staring the farmer in the face.

The CHAIRMAN. And if 20 cents is the major of profit, taking off the 20 cents would take out all the profits.

Mr. BOOTH. I never made a speech in my life, so I can not be accused of that. At \$1.85, based on this year's price, the highest price that we got under the 1917 price, we take 20 cents off from that for the present price of \$2, Chicago, and we only got \$1.65. If you take 4 cents off from that for the best of our winter grades, you have \$1.59 for the red Russian varieties.

The CHAIRMAN. That would be \$1.61?

Mr. BOOTH. We have \$1.65, which is the best we can expect to get this coming year if the price of \$2, Chicago, is maintained. You gentlemen know just as well as I do that we can not raise grain under the present conditions at that price.

The CHAIRMAN. That would make the Russian about \$1.40?

Mr. BOOTH. Here is another thing, Senator, that appears to me in regard to the wheat product. Wheat is the cheapest food product we have, and if the price makes the farmer use that as a food for his stock it is simply driving the American people to a coarser ration in place of using the best grain for human food, and that means we are going to feed that wheat to our hogs and sell it to our allies and use the coarser grains for home consumption. We are compelled to do that.

The CHAIRMAN. And if \$1.85 yields us more profit they will still turn to more profitable crops?

Mr. BOOTH. Yes.

The CHAIRMAN. I think I ought to say at this point that under the minimum guaranty of \$2 the law provides that that shall be based on the principal interior primary markets, so that under that you would be entitled to a market on the Pacific coast for your crop of 1918. I want to say once again that this fixing of the price of \$2.25 for the crop of 1918, based on Chicago, is without any warrant of authority in the law that was passed, and I think no Senator, either in a dream or nightmare, ever thought of such a thing.

Mr. BOOTH. Omaha has been fixed as our most western primary market. Our grain has never gone to Omaha, except, as a farmer stated the other evening, that possibly some of our varieties had been brought to those mills for blending, and then the mills paid the difference in cost of transportation.

The CHAIRMAN. Mexico City would do just as well as Omaha?

Mr. BOOTH. Yes, sir.

Senator WADSWORTH. Was it an officer at one of your farmers' organizations who urged the present legislation providing for the governmental standardization of grain?

Mr. BOOTH. I think not; however, so far as I know, they made no opposition to the Government doing that. I think that the time will come when this, if worked out properly, will be a very good thing to have; that is, a national standardization of grain.

Senator WADSWORTH. Do you think it is probable?

Mr. BOOTH. I do. But in attempting all of those things there are almost always mistakes made in the beginning.

The CHAIRMAN. The best thing to do will be to base the grade on the flour-producing value of the wheat.

Mr. BOOTH. Yes; the actual milling value.

The CHAIRMAN. And then get rid of the incidental, the accidental, and the extraneous.

Mr. BOOTH. You were listening the other evening to the talk on the amount of moisture permitted under these standards. In the West the moisture test of our wheat runs only about 8 or 9 per cent, but we get no premium. We raised Marcus wheat this year, and it tested 62 or 63 by the carload. That would have passed No. 1 at 58. I got no premium for that being above the required weight, but if it had dropped 1 point below I would have been penalized.

The CHAIRMAN. So you gave away 3 or 4 pounds?

Mr. BOOTH. Yes; in test values. The question with the farmers in my locality is the uncertainty about what the Government is going to do, and figuring that we are not going to be able to raise wheat at these prices, and the output of grain will necessarily be small on that account. My boys, I presume—I have got three—will all be gone. Can I afford to pay the price for farm labor—if I can get it at all—to help me and put all my effort into raising a crop that apparently will net a loss to me? I had better be idle.

The CHAIRMAN. What do you pay for labor?

Mr. BOOTH. I could not say what—\$60 and \$75 a month is what we paid last fall for labor and board. What we will have to pay in the future, if we can procure it at all, I do not know, but much more than that.

The CHAIRMAN. Did you have much trouble getting labor to gather your potatoes?

Mr. BOOTH. I do not raise any. Last fall my outfit laid idle because I could not get men to handle them.

The CHAIRMAN. Do you know anything about the wages paid in gathering potatoes?

Mr. BOOTH. No; I am not in the potato-raising section.

The CHAIRMAN. We are very much obliged to you, sir.

(Thereupon, at 10.30 p. m., the committee adjourned to meet at 0.30 o'clock a. m. on Monday, February 18, 1918.)

INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

MONDAY, FEBRUARY 18, 1918.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10.30 o'clock a. m., in committee room, No. 326 Senate Office Building, Senator Thomas P. Gore presiding.

Present: Senators Gore (chairman), Smith of South Carolina, Ransdell, Page, Gronna, Norris, Kenyon, and Wadsworth, jr.

The CHAIRMAN. Before we start with a witness this morning I will ask the clerk to read a message from President Schurman, of Cornell.

The CLERK [reading]:

ITHACA, N. Y., *February 17, 1918.*

Hon. T. P. GORE,
Washington, D. C.:

Telegram received. I regret that other imperative engagements prevent us attending your committee meeting to-morrow. I think we need greatly increased food production. Congress should not discourage farmers by fixing prices of their products unless price fixing is adopted for all commodities.

JACOB GOULD SCHURMAN.

The CHAIRMAN. I will ask the clerk to read a paragraph from a statement issued by Secretary Houston in yesterday's Public Ledger.

The CLERK [reading]:

SECRETARY HOUSTON URGES BIGGER CROPS—PREDICTS FARMERS WILL AGAIN OVERCOME DIFFICULTIES CONFRONTING THEM.

WASHINGTON, *February 16, 1918.*

In spite of the large production in many directions during 1917, the situation is not satisfactory. The supply of wheat in this Nation and in the world is inadequate. Whether the war continues or not, the demand in this country, because of the increasing population and of the needs of Europe, will be great. They will continue to be great for a considerable period even after peace returns. There will be an especially strong demand made on this country for meats and live stock.

The CHAIRMAN. We will now hear Mr. Hyde. Please state your name, business, and residence.

STATEMENT OF C. H. HYDE, ALVA, OKLA.

Mr. HYDE. My name is C. H. Hyde; residence, Alva, Okla.; I am a member of the Oklahoma State Council of Defense; chairman of the farm labor committee of the State council of defense. I have also been assigned by the State council of defense to work for the increased production of agricultural products and live stock.

The CHAIRMAN. You have farming interests?

Mr. HYDE. I live on a farm and have lived on the same farm 24 years; it is 6 miles in the country.

The CHAIRMAN. Mr. Hyde, we will be glad to hear you make any statement you desire in regard to the food situation generally, and particularly with regard to wheat and meat.

Mr. HYDE. In sending me up here, the idea of the Oklahoma State Council of Defense was that they wanted to make it possible for the farmers to do their part. The situation is such there that the farmers are discouraged, especially the wheat and meat farmers.

The CHAIRMAN. You come at the instance of the State council of defense?

Mr. HYDE. They sent me here and authorized me to represent the agricultural industry of Oklahoma before Congress and before the Food Administration; that is what my credentials state.

The wheat and meat farmers are discouraged. The price as established did not pay for the average cost of producing the meat or the wheat last year. Winter wheat was, of course, sown the winter before, and that expense had already been incurred. The farmers had reason to suppose that the law of supply and demand would govern the price. They had been encouraged during the spring and summer to save all the wheat that they could, because the Nation needed it. Some wheat was cut under those conditions that would not have been cut if the farmers had known that the price was going to be reduced; that is, the farmers knew that \$2 per bushel would not pay for harvesting it, but at the price that wheat then was, and the price which it seemed would be established, would pay them for cutting it. Wheat was selling in the elevators in Oklahoma at \$2.75, \$2.80, and some as high as \$3 when the bill creating the Food Administration was passed. The mills that had the wheat which they had bought at this price were allowed to grind out the flour and sell the flour so that they lost no money. The elevators that had bought the wheat at \$2.75 were ordered to ship their wheat to the Kansas mills and to accept the zone price that was established for that territory, a price that netted them about \$1.98, when it had cost them \$2.80. The farmer, instead of taking his wheat to market, had been preparing for another crop, which left him with wheat on hand that would have brought him \$2.75 to \$2.80, and for which he was compelled to accept \$1.80 to \$1.95.

The outlook for increased production in hogs is poorer than it has ever been. On January 2 of this year when the county assessors met in Oklahoma to get instructions from the auditor, at the instance of the State council of defense I went before them and asked them to voluntarily gather some statistics that we might know the true condition for the outlook for feed and food in Oklahoma. We prepared a blank form asking the farmer's name, the number of acres that he has under cultivation, the number of acres of wheat that he has in now, the number of acres of oats, cotton, and corn that he expects to plant this year; whether he has the seed or not, and whether he has any seed for sale; when he will need hired help, and the amount and the time; the last three questions were as to the number of brood mares, the number of cows, and the number of sows on the farm.

Here is something that just came to Mr. Thompson, our Congressman—I have not received mine yet—but it says—

The CHAIRMAN. He is Congressman from Oklahoma?

Mr. HYDE. He is Congressman from Oklahoma. This shows the results of the census so far. When I left there the 1st of February we only had the returns in from five counties, and they were not complete. Lists were made up for 200 names to a book, and the six or seven books which came in showed that there was an average of seven brood sows to nine farms. This is from the State council of defense under date of February 13. The patriotic farm census reports, which had been received from 45 of the 77 counties in Oklahoma, show a critical state of affairs as to the reduced stock of brood sows and seed for the coming year's crop which are now in the hands of the farmer. The entire census will be completed and in the hands of the Oklahoma State Council of Defense on the last of February or the first of March.

Reports at hand show that throughout the State there is an average of less than one brood sow to a farm and that there are fewer cows than shown by any State census ever taken. The seed condition is shown to be critical, indicating that in many sections there is not a sufficient quantity on hand to supply the amount required by the farmers.

The CHAIRMAN. Who signed that?

Mr. HYDE. It is signed by the chairman of the State council of defense. I do not know which counties they are. They are just as they came in first. In the interest of the State council of defense last year I traveled over the State trying to get more wheat sown. The man in the cotton belt, where the cotton belt reaches up to the wheat belt, was not interested in wheat when cotton was selling around 30 cents a pound. The man in the eastern part of the State, where they raise corn, was not interested in wheat when corn was selling from \$1.25 to \$1.40. So that we have a decreased acreage in winter wheat in Oklahoma, usually the second State in winter-wheat acreage. The estimate that I gathered from the reports made to me by the county agents is fully 20 per cent.

The CHAIRMAN. Twenty per cent short?

Mr. HYDE. Twenty per cent short, yes; 80 per cent of the normal acreage. Gov. Capper, of Kansas, writes me that the outlook in Kansas is fully as bad, a decrease of 20 per cent.

The CHAIRMAN. How much wheat does Kansas sow?

Mr. HYDE. About 9,000,000 acres; Nebraska, as I am advised by the vice president of their State council of defense, will probably have a decrease of 20 per cent.

The CHAIRMAN. The report of the Secretary of Agriculture shows the crop estimates 500,000 acres short.

Mr. HYDE. The condition is the poorest it ever has been. The grower of wheat is discouraged. Unless there is something done I fear we will have, rather than wheatless days, wheatless weeks next year. The Congress delegated, it seems to me, either too much or too little power to the Food Administration, or the Food Administration has exercised too much or too little power in one line. They have simply controlled the price of wheat, but have not controlled the price of substitutes, making wheat in the wheat belt the cheapest feed that a man could feed last fall. At the time they established the price in August, corn was selling in the wheat belt of Oklahoma

at \$2.25 to \$2.40. They reduced the price of wheat from \$2.75 to \$1.80 and \$1.90. No. 4 corn, which is about as good as we can get, became as low in Oklahoma as \$1.80. If the \$2 minimum is allowed to stand for the \$2 maximum this coming harvest, it will mean, with the grade as established for No. 1 Northern wheat at \$2, that the wheat grower in Oklahoma will get \$1.70, or something like that—perhaps \$1.68. Corn, we know, will sell for more than it does now.

Senator KENYON. What is your corn averaging in bushels per acre in Oklahoma?

Mr. HYDE. I could not tell you, because I live in the wheat belt, the 10 northwestern counties.

Senator KENYON. You have some idea, have you not—is it 30 bushels an acre?

Mr. HYDE. I question whether it made that last year?

The CHAIRMAN. In the eastern part it would, but in the western part it would not.

Mr. HYDE. The wheat average in western Oklahoma was something like 8 bushels.

Senator KENYON. Would that corn average 20 to 25-bushels?

Mr. HYDE. Yes, sir.

Senator KENYON. So that an acre of corn would bring vastly more than an acre of wheat?

Mr. HYDE. Twice as much; and an acre of cotton would bring three times as much.

Senator GRONNA. From your standpoint, Mr. Hyde, it is evident that the legislation Congress passed has not stimulated the production of wheat?

Mr. HYDE. It has not stimulated it; it has done a great deal to discourage the production of wheat.

Senator KENYON. Do you think if Congress fixed a price on corn that that would help the situation, or if the Food Administrator were given power to do that?

Mr. HYDE. I question whether they can help the situation much unless the price is fixed on everything.

The CHAIRMAN. If fixed on corn in Oklahoma, they would plant cotton?

Senator KENYON. Suppose you fixed the price on cotton?

The CHAIRMAN. Then South Carolina would secede. [Laughter.]

Senator KENYON. That is undoubtedly true.

Senator PAGE. You say 10 or 15 cents on cotton would pay better than wheat at \$1.70?

Mr. HYDE. I am not a cotton man; I could not say.

Senator PAGE. You made the suggestion that it would pay two or three times as well to raise cotton as to raise wheat?

Mr. HYDE. Yes, sir. The farmers are discouraged further, gentlemen, because they feel that they are the only ones who made the sacrifice; that in reducing the price of wheat the consumer did not get the benefit of the sacrifice the farmers made. The mills were allowed to run and charge practically the same price for flour, shorts, and bran that they did before the price of wheat was reduced. The farmers feel that the sacrifice they made did not benefit the consumer.

I turned into the enforcement department of the Food Administrator Saturday receipted bills from some 8 or 10 mills in Oklahoma.

which showed that with the price established by the Food Administration on bran and shorts in car lots—they do not fix the price in less than car lots—

The CHAIRMAN (interposing). And the farmer does not buy in car lots?

Mr. HYDE. He can not buy that way, because they will not sell it to him. I tried to buy a car of bran and a car of shorts, but they would not sell that much to me; they will not sell to a dealer any more.

The CHAIRMAN. Will you state the price fixed by the Food Administration on bran and shorts?

Mr. HYDE. The price fixed by the Food Administration for bran is 38 per cent of the average cost of the wheat at the mill. That would make the price at which bran, with the sacks, ought to sell at the mills in Oklahoma about \$29 or \$30 a ton. Bran from some wheat costs a little more than from others.

Senator PAGE. What does it sell at?

Mr. HYDE. It sells at \$39, \$40, and \$41. The receipted bills I turned over showed that the bran was selling at \$8 or \$10 a ton more than the Government price.

The CHAIRMAN. State the price on shorts.

Mr. HYDE. On shorts it runs as high as \$12 above.

The CHAIRMAN. But what was the Government price on shorts?

Mr. HYDE. The Government price on shorts was \$2.50 a ton above bran. They have a different classification for shorts, some red and some white; so there is a little difference; but it is about \$2.50.

The CHAIRMAN. I have a letter from a farmer, stating that he had been paying \$56 in less than carload lots. You say the Government price was fixed only on carload lots.

Mr. HYDE. It has fixed it only on carload lots.

The CHAIRMAN. The farmer can not buy 1 ton or 2 tons at the price fixed?

Mr. HYDE. They will not sell it.

The CHAIRMAN. They will not sell it in carload lots?

Mr. HYDE. Not in carload lots.

The CHAIRMAN. Do you know anything about the practice which has sprung up of selling a quantity to some clerk in the office, and then allowing the clerk to sell it?

Mr. HYDE. Not personally. I am not in such a position that I can demand the accounting; but it looks that way—that the miller has a jobbing department and a wholesale department within the confines of the mill, so that the consumer has not reaped the benefits of the sacrifice made by the farmer.

The CHAIRMAN. Now, then, I wish you would analyze, Mr. Hyde, this 25 cents per barrel profit on flour. But do not let me interrupt you. Go ahead, and come to that in an orderly way.

Mr. HYDE. The wheat corporation has always said, which is true, that there is nothing in the law or the regulations to prohibit a farmer from selling wherever he can get the most money. The testimony of Mr. Hoover, before your committee last year, also said that there was nothing in the law to fix what the farmer should get. But they do virtually the same thing by licensing the dealers and not allowing them to pay any more than the Government price. The

is a (maximal) \mathcal{L} -theory is not a practical way to proceed in explanation.

Senator Jones said, "I feel like remarking to you that one of the men who voted against the bill is a man who has wanted written on his tombstone that he died for the good of his country. But, according to you, I think that would be sufficient."

The *Carmichael*, of course, the railroad facilities and rolling stock were used to their needlessly!

Senator GRONNA. Of course, you in the South are in a much better position than we are in the North. In the northern part of the country, in many localities, they can not turn to these other crops; they can not raise cotton, and there are places, for instance, along the Canadian line, where they can only raise grain, wheat, prim-

he people in the South are discontented with this condition, it is to me that the people out in the North have all kinds of reasons aggrieved over the situation, have they not?

Senator SMITH of South Carolina. Let me ask you right there: are a practical farmer. Is it not a fact that whenever a farmer raising an article for the market and he sees by quotations, bills fare, and newspaper articles that there will be so many days meatless, so many days meatless, and so on, that he feels like the situation will be on the thing he is raising, and therefore he had better get it out?

Mr. HYDE. That is absolutely so. I wrote to the Food Administration on November 1, stating that I found, in traveling over the State of Oklahoma, that there were less cattle on feed than there had been; that there were less hogs, and that the inclination to keep hogs was less than it had ever been. Many men said they were agitated out of the business because the demand for their product was less and they were not getting the cost price for it. The publications of the Bureau of Markets, now issued probably, I think, show that on up to December there was an increase in the available meat supply, the amount in storage all the time, yet during that time there were meatless days, and the producer was not getting the benefit of production. The Southwestern Commission Co., of Oklahoma City, sell probably half of the stock that is sold in the stockyards of Oklahoma City. Morris and Wilson, the big packers, each have a packing plant there. We have a very good market. I took a statement from their books showing the number of cattle they bought on Tuesdays and Fridays, the weight and the gross selling price. The average from July 1 to February 1 was \$7.28 gross selling price.

The CHAIRMAN. That was last year?

Mr. HYDE. That was from July 1 last year up to February 1 of this year. That means, then, that the producer of the beef got an average of something like 6½ cents. That was the good with the bad, finished with the canners. The market quotations do not always give all the market. Each market feels a little pride that they are the best, so they do not put down the cheap sales; or as many canners are sold. There was practically no difference in the price of July and January.

Senator GRONNA. Relative to the feed question, and milling feed especially, I think it is only fair to the Food Administration to say that Congress did not give to the Food Administration all the authority it ought to have had; that is, if they were to exercise the authority of fixing prices, while it gave the President authority to issue a proclamation and fix the price of grain under the food bill—I think it is only fair to say that if we want the Food Administration to fix prices on feed we ought to enact legislation giving them plenary power to not only fix the price on feed, but to fix the price on all the things the farmer uses.

The CHAIRMAN. He has as much power to fix the price on feed, as he has on wheat.

Senator GRONNA. I think that is true.

The CHAIRMAN. The only authority he has to fix prices is to increase the minimum, if he saw fit and thought it necessary to increase production.

\$2, but if they raised less than that, and the law of supply and demand said it is worth more than that, he believed he was going to be at liberty to get that. But, through the licensing process, the Food Administration goes around among those on whom the farmer is dependent for a market and says, "You shall not give but \$2."

Senator NORRIS. I understand all that, and I am not finding fault with that argument. I agree with that. I think it was a very, very sad mistake that they made. But that does not do away with the fact that, notwithstanding all these wheatless days we have had, if we had had them just the same, and they had not artificially interfered with the price of wheat, wheat would have gone up to a price that would have given a good return. I think that is conceded by everybody. Now, if there is a shortage of wheat in the world, and we have got to supply our allies and ourselves, it seems to me it is commendable in the administration if by wheatless days we can reduce consumption somewhat.

The CHAIRMAN. If we take off the artificial price, your argument is unanswerable, although we would have to discuss wheat on a different basis.

Senator NORRIS. If we leave off the artificial price, just as we have got it, the wheatless days have not affected the price the farmer gets, but it does save that much for somebody else to eat.

Senator PAGE. Was not Mr. Hyde's suggestion that the psychological effect upon the farmer of these wheatless and meatless days discouraged him from putting in the larger crops because the purpose was to cut down the demand?

The CHAIRMAN. You think pork stands on a different basis, and while we have porkless days that cuts down the consumption.

Senator NORRIS. Everybody knows that the Government has indirectly fixed the price of pork.

The CHAIRMAN. That increasing the surplus created by the Government's order reacts on the price.

Senator SMITH of South Carolina. But it does not stimulate production. The idea with us, and it seems to me it ought to be the one to which we should commit ourselves, is by every legitimate method possible to increase and encourage production.

Senator NORRIS. That is what we want to do. I agree with all that.

Senator SMITH of South Carolina. I believe you are right when you say that we ought to conserve the crop. But we are coming now to the time of this 1918 production, especially in spring wheat. We are going to try and stimulate hog raising. Now, to spread abroad the admonition for two or three porkless days, and then to say to the farmer, "We want you to go ahead and raise a tremendous surplus, and we will help create a surplus by cutting out the market," he naturally says, "Where do I come in on the market?"

Senator NORRIS. Does anybody believe that the farmer is getting any less for his hogs because we have porkless days?

The CHAIRMAN. Unless the Food Administration and the packers have not agreed, that is undoubtedly true. They have, because it increases the surplus.

Senator NORRIS. There is no doubt in my mind they have fixed the price of pork, like the price of wheat.

The CHAIRMAN. Not like they have fixed it, but they control it anyway, indirectly.

Senator NORRIS. Of course, they do.

The CHAIRMAN. They fix the price of wheat directly and of pork indirectly. But, of course, if those porkless days serve any purpose it is to limit and reduce consumption of pork, and that leads to a constantly increasing surplus of pork. The increasing of the surplus of pork, or any other product, reacts on the price of the product in the hands of the producer if there is less demand.

Senator KENYON. There is an increasing demand across the sea. Does not that make up for the lessening here?

The CHAIRMAN. I do not know whether it does or not.

Senator SMITH of South Carolina. Suppose you were a hog raiser. Just put the shoes on your own feet. You see a card here, or the statement of the Food Administration, that we are going to have three porkless days, or two porkless days. Spread that all over America, and that is two-sevenths of your market gone now. If the Government commits itself to a decreased consumption, what encouragement would there be to you unless you were paid a fixed and guaranteed price for your pork, a minimum below which it should not go?

Senator KENYON. There is a greater demand coming from the other side, however.

Mr. HYDE. Answering the Senator there as to the effect, you did not get what I meant. The effect is this: They made wheat so much cheaper than the other cereals that a great deal of wheat was fed. Mr. Barnes wired Mr. Sykes and myself that he would come to Oklahoma City, and that he wanted to get information at first-hand. He is president of the Wheat Corporation. I wired him the condition. He wanted to know the "conditions at first-hand"—that is, in his wire. I wired to farmers all over the State to come in and see him. I also wired to the county demonstration agents, and here I have a synopsis of the telegrams I received, telling whether the wheat was being fed or not. I have not all of them here. These are just what I showed Mr. Barnes that day:

Walter—Comanche County has 59,000 acres. These are all signed by the county agent, and I will not take the trouble to read the names, unless you want them.

The CHAIRMAN. They are county agents?

Mr. HYDE. They are county agents of the Department of Agriculture.

Wheat fed in Comanche County, 100 bushels per day.

Guthrie—Logan County, 50 bushels of wheat per day being fed; 2,500 bushels will be estimate for amount fed this fall.

Anadarko, 55,000 acres; from 200 to 300 bushels of wheat being fed each day.

Mangum, 200 bushels of wheat fed daily; 20,000 bushels will be fed this fall.

Clinton, 400 bushels of wheat fed daily; 30,000 bushels will be fed this fall.

Alva, 300 bushels fed per day.

Senator WADSWORTH. What were the dates of those reports, Mr. Hyde?

Mr. HYDE. They are all either the 5th or 6th of October. If there is any different date, I will note it.

Medford, fed daily 1,500 bushels; will feed 20,000 bushels.

Ten thousand bushels will be fed at Vinita.

Fairview, 150 bushels being fed daily; 15,000 bushels will be fed.

Perry, estimate 500 bushels wheat fed in this county daily; probably not to exceed 50,000 bushels will be fed here this fall.

Oklahoma City, 5,000 bushels will probably be fed this fall.

Clinton, 600 bushels.

Hobart, feeding 1,000 bushels per day; 30,000 to 50,000 bushels will be fed this fall.

It goes on that way through all of them. But nearly every county that was a wheat county, which has more than 50,000 acres of wheat, report that from 50 to 1,500 bushels was fed every day, and they continued to feed, and they are still feeding it, because wheat does not bring as much per pound as corn sells for.

The CHAIRMAN. Not to count the hauling?

Mr. HYDE. Not to count the hauling. It seems that the crop they attempted to stimulate the production of has been tied up so that they can not produce it. Either there was too much power delegated or too little. Either there is too much power used or too little.

No one would think of putting a maximum price on the product of munition plants in order to stimulate production. You do not put a maximum price on any product in order to increase production. To increase the available supply of any article, it seems to me that we must make a price that will induce the men to raise that or produce it. That applies to the farm as well as any other industry.

Senator GRONNA. Do you believe, Mr. Hyde, that we either ought to fix the price or give some one authority to fix the price of everything, or else let it alone?

Mr. HYDE. Absolutely.

Senator KENYON. Has the feeding of wheat to hogs that you speak of been a general thing down there since this food law went into effect, or is it just a few sporadic cases?

Mr. HYDE. I believe that the county agents do not have knowledge of half the wheat that is being fed, because the newspapers out there have printed stories that it was against the law to feed it. Many men have fed wheat and did not tell about it for fear that they might be prosecuted.

The CHAIRMAN. I would like to say in that connection, that I noticed in one paper down there the statement that the Food Administration had decided that farmers should not be allowed to feed their wheat to their hogs. I wrote the Food Administration to send me a copy of the order. They wrote me that the order was not issued here, but was issued in New York. I have not been able to obtain it, and I think it is a myth.

Mr. HYDE. There was a fear, too, among the farmers' wives and among the women who canned goods last fall that the so-called "hoarding" provision would apply to them. I have been told many times by men and women that the women did not can as much goods as they usually do, because they thought it might be taken away from them if they had more than 30 days' supply. It seems to me that all legislation should be to encourage people to raise as much as they can for their own consumption. If the man in the village and in the town can raise a garden so that he will help to take care

of himself, he is increasing the available supply of food in the Nation that much. But, unless some assurance is given that they will do nothing with what the producer raised, there will be less gardens planted this year than there were last.

Senator KENYON. Do nothing? If he raises stuff in his garden and keeps it, he is hoarding under the act?

Mr. HYDE. There is a fear that if he raises a garden and his neighbor does not, and if it is found his neighbor needs it, they will come and take his garden stuff and give it to the man who does not have any.

Senator KENYON. Is that doctrine being preached through your State?

Mr. HYDE. It is in the minds of many people all over the United States; not preached, but that is in their minds all over the country. In every place I have talked with people they do not know whether their own products are safe or not.

Senator PAGE. They do not know whether they are doing a commendable or an uncommendable thing?

Mr. HYDE. That is it.

Senator PAGE. They fear they are going to be blamed for the conservation of their own goods?

Mr. HYDE. Yes, sir. The uncertainty that exists among the farmers, stock raisers, and gardeners, too, as to what is going to be done with their products after they raise them has done more to discourage production than any other thing could.

Senator NORRIS. I know that rumor is true; I have heard it lots of times not only as applied to those who raise gardens but to those who buy peaches and plums as they are ripening in the vicinity to can them. There has been a fear among that class of people that if they do that, or if they put in coal in April enough to last a year, some time in the following winter the Fuel Administration will come and take it away from them. I have never seen anything to indicate that the Food Administration was responsible for anything of that kind. Do you know whether they are?

Mr. HYDE. No; it is the uncertainty.

The CHAIRMAN. Mr. Hyde, at that point, was there not an official order that nobody would be allowed to have more than 30 days' supply in his larder?

Senator NORRIS. That applied to things he was buying out of a grocery. That would not apply to the woman who cans a lot of peaches and plums. She has done a noble work, of course.

Senator SMITH of South Carolina. I would like to ask what effect it is going to have on the corn production in my State? For instance, an order was issued that if an individual farmer or anybody else went to a grocer's store to buy 6 pounds of flour he must buy 6 pounds of meal or a substitute for the flour. The letters that were written to me were to this effect—I am quoting pretty nearly what they said: "The Agricultural Department has been seeking to encourage us to raise corn. We have our barns full of corn. When we go to buy flour we are asked to buy as many pounds of meal as we want of flour, when we have better meal in our barns than what we can buy in the store." I have heard since then that that part of that salutary order was modified to meet the condition that where the fellow had some corn he would have to buy some cereal or breakfast food.

Senator NORRIS. I think there was such an order issued.

Senator SMITH of South Carolina. I think so, too. Some men wrote me from my State to that effect.

Mr. HYDE. And they say to the man who has the wheat, when he takes it to the mill to sell, "You have got to buy so many pounds of corn meal and we will let you have so many pound of flour." He may not want it. They want the wheat, but they say to him, "You have got to buy as many pounds of corn meal or other substitute cereals you speak of as you take home flour."

Senator NORRIS. You say that is a fact, of your knowledge?

Senator SMITH of South Carolina. That order was issued.

Mr. HYDE. I know it; my wife wrote me to that effect since I have been here.

Senator NORRIS. They have modified it so that if you buy 5 pounds of flour you will only have to buy 3 pounds of the substitute.

I went into a grocery store myself a few days ago right here in Washington, and when I was waiting to be served a woman who came in ahead of me said to the clerk, "I want to get a 12-pound sack of flour"—and that was before they modified the order; I say this; I heard all the conversation—and he said to her, "I can not sell you a 12-pound sack of flour unless you buy 12 pounds of oatmeal or corn meal or rice"—I do not know but what there might have been something else. "You can mix it up, some of each, all you want, but you have got to buy 12 pounds of those substitutes."

Senator SMITH of South Carolina. Did he explain how that was conserving the general food supply?

Senator NORRIS. Oh, no.

Senator GRONNA. Suppose you had been a producer; suppose you had produced that wheat and brought it to the market, and some one told you that, do you suppose it would encourage you to produce?

Senator NORRIS. I am not defending it. I am only stating what I know to be a fact. There is not any question but what that order was issued; it has been modified so it only requires two-thirds.

The CHAIRMAN. I doubt whether it is economic to make people buy that way, but a farmer told me he had bought some breakfast food made out of corn and at the rate he paid for the breakfast food the corn would have been worth \$40 a bushel.

Senator KENYON. Come back now to that question which you enunciated concerning these stories that a woman can not can a supply of fruit and vegetables and that garden truck can not be raised and kept; that is hording under the act. Are those stories generally circulated?

Mr. HYDE. As far as I have been over the United States, I find the fear among the people everywhere that they may can a great deal of stuff and it may be considered as hording if they have more than 30 or 60 days' supply.

The CHAIRMAN. In the vicinity of St. Louis people have actually gone around and gathered up the stuff. Of course they were pretending to be representatives of the Government, but I imagine newspaper reports have grown out of those circumstances, and that that is what has given rise to this apprehension.

Senator KENYON. Have you not seen notices in the papers denouncing those ideas?

Mr. HYDE. I am aware that the Food Administration does not put that idea out; but there is the fear among the people that they will issue some different order than they have in the line of conservation and take that away from them.

The CHAIRMAN. Senator Kenyon, to show how those things get abroad, you will remember that when Senator Root returned from Russia he brought back the story about the "Brigade of Death," and he said it might be necessary for women to enlist everywhere before the war is over. Soon after that the Food Administration sent out cards asking women to enroll in the conservation of food, and I got word from my State that it was circulated that the purpose was to conscript women. You can not check all those unfounded and irrational rumors, but the reaction on the farmers' mind is just the same.

Mr. HYDE. I think one reason this fear exists is that the first intimation that was given out—the testimony of Mr. Hoover that was read here Saturday—said that there was nothing in the bill to fix the price of wheat. That was sent broadcast over the United States. There was nothing in the bill fixing the price of the 1917 crop of wheat, but they did reduce it practically one-third; so that any statement coming from the Food Administration as to their policy causes uncertainty as to just whether they will carry it out or not.

The CHAIRMAN. Let me say this, Mr. Hyde: It costs \$2 to raise a bushel of wheat, and if it was selling at \$2.80, and the order was fixed which reduced it to \$2.20, that takes away two-thirds of the profit, although it is only a reduction of one-third in the price of wheat?

Mr. HYDE. It was selling at \$2.80, and they reduced it not to \$2.20, but to \$1.90; \$2.20 is for No. 1 Northern at Chicago.

Senator KENYON. How much of the \$2.80 was profit?

Mr. HYDE. To the grower?

Senator KENYON. Yes.

Mr. HYDE. That depended upon its yield. There was very little profit with the average yield in Oklahoma of 8 bushels an acre.

Senator SMITH of South Carolina. Eight bushels to the acre?

Mr. HYDE. Yes. There was very little profit in it at that rate, considering the wages we had to pay.

The CHAIRMAN. The statement was made, Senator Kenyon, in North Dakota, by the president of the A. & M. College, who based his return on reports by farmers which gave \$2.19 as the average cost to the farmer last year; in Minnesota they reported \$3.01 per bushel for the cost of production.

Mr. HYDE. It cost us more to harvest wheat last year than it ever did. Wages were higher than they ever have been; \$3 and board was as low as you could get men. Some paid as high as \$6.50 during the thrashing season. This was not caused altogether by the draft. It was caused by the farmer being compelled to go into the open market and compete with the Government contractors in hours and wages. In building the cantonments, you know, it was so that almost anyone could get \$6.60 for eight hours work. On Sunday they would get double time, and they usually laid off Saturday, so I have been told, and worked Sunday.

Senator GRONNA. They only want to work eight hours a day on the farms in your State?

Mr. HYDE. They are talking that now; yes. But we can not get men unless we can make our wages such as will compete with the wages paid those who are working for the Government.

I will make this suggestion: One thing which would help the farmers in the harvest, when we need help the most, would be the establishment of a rate of 1 cent a mile on the railroads to men going to and returning from the harvest fields. If Congress will take that matter up, it would give us some surplus labor from the cities. It used to be that way through Oklahoma and Kansas—1 cent a mile for harvest hands.

The CHAIRMAN. They have something of that sort in Canada now, do they not?

Mr. HYDE. Yes. If Congress would allow the railroads to make that rate, it would help us. If necessary I believe that where a man has worked 30 days in harvest, the Government could afford to pay the railroad the extra cent or 2 cents.

Senator KENYON. Is that city labor good for much on the farms?

Mr. HYDE. No and yes. We can use any man who wants to work. He is not a skilled worker, but we can use him where we use headers. We can use him to shock, if he wants to work. We have to use him because there is not enough skilled farm laborers for us to get.

The CHAIRMAN. You can use him in harvest time?

Mr. HYDE. Yes.

Senator KENYON. What do you know as to the situation in Canada, where it is reported women are working in the fields?

Mr. HYDE. I do not know about that. But I have in my room a statement which tells how Canada had increased production with the population they had and still were able to send over 500,000 men. I have a letter from the agricultural secretary of Saskatchewan, stating that they did that with men imported from the United States, and that the Province of Saskatchewan got men down in Oklahoma or Kansas and Missouri and paid the transportation up there. The Province paid the car fare. I was also informed of that same condition by Mr. Clayton, Assistant Secretary of the Department of Labor.

The CHAIRMAN. Here in Washington?

Mr. HYDE. Yes.

Senator GRONNA. Besides giving them free transportation they also offered them a homestead and provided that they would not have to live on the homestead, but that their time would count while they were working on these farms.

Mr. HYDE. So there are many thousands of our skilled farmers who have gone to Canada on account of the transportation and on account of the homesteads.

Senator WADSWORTH. Were you going to discuss the cattle situation in Oklahoma? I wish you would.

Senator RANDELL. Before he gets away from that, Senator, would you let me ask if those men leaving the United States and going to Canada do so to escape the draft in the United States?

Mr. HYDE. I do not think it is done for that reason, because the advertisements were carried before the bill had passed last spring

creating the draft. The advertisements were in February and March, last year, when they made the offer.

Senator RANDELL. Have many citizens of the United States gone up there and stayed?

Mr. HYDE. That was what Mr. Clayton told me.

Senator RANDELL. Are they subject to military duty in Canada?

Mr. HYDE. I do not know.

Senator RANDELL. I would imagine they were, of course.

Mr. HYDE. If they were homesteaders, I should imagine they must be.

As to the cattle situation, with cattle selling in Oklahoma City markets on an average for seven months of \$7.28, that means that the producer gets an average of about 6½ cents.

Senator WADSWORTH. It costs a cent to ship and the shrinkage?

Mr. HYDE. The yardage commission and the freight will run about \$1 a hundred, with the shrinkage. With that price we will not increase our production of cattle.

Senator WADSWORTH. What is the condition of the feeders in Oklahoma now?

Mr. HYDE. There are being practically no cattle fed. Those who do feed this year are bound to lose money.

Senator WADSWORTH. Could you tell us, generally, what the cattle feeders paid for their feeder cattle last fall to go into the winter feed lot?

Mr. HYDE. Yes; they paid more than some of them are worth now. I know of them selling for 9 cents right in the pastures, just as they came off the grass.

Senator WADSWORTH. They are selling for 9 cents now?

Mr. HYDE. I know of cattle being sold last fall for 9 cents a pound right off the pasture.

Senator WADSWORTH. For feeders?

Mr. HYDE. Feeders; yes.

Senator WADSWORTH. What would they fetch now?

Mr. HYDE. I could not tell you. That depends on the condition they are in, but the chances are that they must have done fine to bring 12 cents. I do not believe they would bring 12 cents except with extra care.

Senator WADSWORTH. When you speak of those cattle fetching 9 cents, do you have in mind 2-year-old steers?

Mr. HYDE. They were 2, coming 3.

Senator WADSWORTH. Threes this spring?

Mr. HYDE. Three this spring, now.

Senator WADSWORTH. And they would weigh about how much?

Mr. HYDE. Nine hundred pounds; that is what we guessed at.

Senator WADSWORTH. Pretty good for 2-year-olds.

Mr. HYDE. Yes; a pretty good price, too.

The CHAIRMAN. Mr. Hyde, do you know anything about the wholesale market price of beef?

Mr. HYDE. No, sir; I do not know what the wholesale market is.

The CHAIRMAN. I am going to say here that some bulletins have been gotten out by the Market Bureau stating that the price ranges 17 to 21 cents in the Boston market, so that the people will see that the retail purchasers get stung anyhow.

Mr. HYDE. It seems to me that the Food Administration has done as much in an opposite direction as the Department of Agriculture has done to put the consumer and producer together. Everyone of their rules seems to be to allow the products to go through the usual channels. The marketing commission and the Department of Agriculture have tried to get the consumer and producer together. A farmers' organization can not buy sugar from the refinery. Mr. Barnes said when he addressed us in Oklahoma City, that the miller must be protected in his investments, that the jobber must be protected, that the wholesaler must be protected, and the retailer must be protected, and that the farmer was expected to make a sacrifice; that is what he said to us.

Senator GRONNA. Is that Julius Barnes?

Mr. HYDE. Yes, sir.

The CHAIRMAN. Everybody except the farmer must be protected?

Mr. HYDE. He said the miller, wholesaler, jobber, and retail men must be protected in their investment, but that the duty of the farmers was to put their wheat on the market, now that our allies needed it.

Senator GRONNA. Have you reference to Julius Barnes?

Mr. HYDE. Yes, sir; he is the president of the Wheat Corporation. I have a copy of the letter I wrote him and a copy of his reply.

Senator KENYON. Did he explain that large dividends must be guaranteed to the railroads, too?

Mr. HYDE. That was October 5 and 6; the next day after these telegrams came in, October 7.

Senator RANDELL. What reason did he assign for giving the profit to everybody else and making the farmer do all the sacrificing?

Mr. HYDE. He did not give any reason. I probably had 200 actual farmers to meet him at the chamber of commerce. He addressed us at an open meeting, and told us in substance what I have said here. Then, he went into a meeting of the millers and stayed there until 5.30. He came in town at noon.

Senator NORRIS. Was that an open meeting?

Mr. HYDE. No, sir; only for the millers. We went into a room that would not hold half the farmers, and Mr. Barnes said, "Now, gentlemen, I have to leave at 6 o'clock"; it was 5.30 then. He gave us a half hour to present the interests of the agricultural community.

Senator WADSWORTH. As a matter of fact, they have regulated the profits of the wholesalers, jobbers, and retailers?

Mr. HYDE. I can not answer that. All I know is that they have regulated the profits of the mill. But in every instance where we have the figures in Oklahoma indicates they are expert bookkeepers. We found one instance Saturday where the man's affidavit showed that his wheat had cost him during the month of December an average of \$2.26½, which is impossible, because the Government has fixed the maximum price, and his wheat could not have cost him over \$2.02, and from the further fact that a mill 30 miles from there grinding the same number of bushels by affidavit showed that theirs cost \$2.01½ on the average.

The CHAIRMAN. It would appear we are going to let the farmers sell their wheat and meat at less than cost to produce, and then proceed to guarantee returns to certain railroads of 30 per cent on capital stock, including the water.

Senator WADSWORTH. What steps has the Food Administration taken that you know of in fixing the price of beef?

Mr. HYDE. I do not know. Mr. Cotton told me they had not gone into the beef situation very far yet.

Senator WADSWORTH. They have gone into pork?

Mr. HYDE. They have gone into pork, but not for this year. It applies to hogs that are farrowed this spring.

Senator WADSWORTH. Are they not regulating the price of hogs right now?

Mr. HYDE. They have said that they are regulating it as much as they can.

Senator WADSWORTH. Is it not \$15.50 per 100 pounds.

Mr. HYDE. I will answer that by reading you part of a letter I wrote Mr. Hoover and the reply. This is under date of November 1. Above I spoke about traveling over the western part of the State and of learning that corn was selling at \$1.50 to \$1.80, and made cheaper feed than wheat [reading]:

If there is any prospect of a price being established on fat hogs and finished beef, I think the outlook would be materially bettered by your department announcing the price, or what they intend to do now, for you know it takes at least 120 days to finish beef—180 days is better. If I can be of service to you at any time command me.

The reply that I got back was [reading]:

We do not know of any movement on the part of the Government to fix the price of cattle. There was something in the papers that a figure has been set at about \$15.50 at Chicago. We are not just familiar enough with the situation to know how this figure would affect your section of the country, and we have no knowledge at this writing as to whether that price was adjusted by the Food Administration or not, but the public press gives news of that figure.

Senator WADSWORTH. Whose letter is that?

Mr. HYDE. That letter is in reply to one I sent to Mr. Hoover November 1, 1917.

Senator WADSWORTH. And the reply came from whom?

Mr. HYDE. And it is signed "A. W. F., Food Administration."

Senator WADSWORTH. And they do not know yet whether there is an agreement of \$15.50 for hogs?

Mr. HYDE. The letter is from Mr. Frick, and the reply is dated November 6.

Senator WADSWORTH. As a matter of fact, Mr. Hyde, coming right down to it, have they not practically fixed at \$15.50 per 100 pounds as the price of hogs? Do you know of anybody getting more than that?

Mr. HYDE. Yes; they are getting a little more than that. Hogs were selling in Oklahoma City at about 16 cents week before last; some one day being down as low as \$15.50.

Senator WADSWORTH. Then they have not made an arrangement or agreement with or issued an order to the packers that they should not pay for hogs any higher price than upon a basis of 12 bushels of corn to the 100 pounds of hogs?

Mr. HYDE. They are not paying anything like that figure.

Senator WADSWORTH. What is this regulation of pork? You testified half an hour ago that they were regulating pork prices?

Mr. HYDE. No, sir; it is the uncertainty. I did not say that they had regulated pork prices. Pork is not selling high enough to justify

production. They have not regulated the price of pork, but they have decreased the market in that they have two porkless days.

Senator WADSWORTH. Mr. Simpson testified to us that in effect the price of hogs was regulated on a ratio with the price of corn at a certain amount of corn to 100 pounds of pork.

Mr. HYDE. There have been bulletins put out to that effect, but if you will read closely that does not guarantee prices. They say, "We will attempt to maintain a ratio of 12½ or 13 bushels of corn for each 100 pounds on hogs for the hogs that are farrowed in the spring of 1918."

Senator WADSWORTH. Does it not come back to that same proposition, the same kind of statement of affairs as with respect to wheat? They, in effect, accomplish that as a price-fixing proposition by instructing or advising the buyers of hogs not to pay any more?

Mr. HYDE. I presume that is it.

Senator NORRIS. I would like, if Mr. Hyde will permit me, to read a portion of a letter written by the Food Administration on that very subject. I think it is conceded and that it is shown in this letter that if you had the power to buy 20 per cent of the product you would control its price. In a letter written by the Food Administration, signed by Melvin Green, dated February 2, 1918, to Mr. J. A. Hudson, of Columbia, Mo., answering his letter, Mr. Melvin Green says:

Your letter of January 24 to Mr. Cotton has been received and brought to his personal attention. There is one element of the situation which you have not taken into consideration. The law gives the Food Administration no power to fix a minimum price on cattle or hogs, either. The only control it has is through the buying power lodged in its hands. It controls the buying of all supplies used by the Army, the Navy, the allies, Belgium, and the neutrals. This amounts to over 20 per cent of the entire output as regards hogs, but as regards cattle it amounts to less than 5 per cent; as I remember, the figures are around 3 per cent. This being so, the Food Administration can not, except in a very small way, exercise control over cattle prices. * * *

On the other hand, the business not taken over in most cases can and must be left to work out their problems under natural law. As a matter of "win-the-war" policy the Food Administration felt that it was necessary for it to interfere in regard to the hog industry, and fortunately it happened to have the power to do what it wanted in that case.

Mr. HYDE. I will say I knew of that, but I could not say that I knew they had done it. I supposed they had indirectly, but did not know it of my own personal knowledge.

Senator WADSWORTH. In view of that evidence, what would be your opinion of its effect upon the production of hogs if the price was allowed by the Food Administration to go up to 18 or 19 cents?

Mr. HYDE. The best way to stimulate production of anything is to make it possible to grow it at a profit.

Senator WADSWORTH. Would that do it under the present conditions? They have been as high as 21 cents.

Mr. HYDE. It would make it profitable in the corn belt; not very profitable, but they can at least break even.

Senator WADSWORTH. Their exercising this power controlling 20 per cent of the purchasers, and in doing that they control the price, and they control it down to 16 cents and a little below?

Mr. HYDE. I want to call your attention to the fact that with respect to every article that they have attempted to conserve, as beef,

pork, and wheat, the substitutes have gone up two or three times what they were previously worth, or at least twice what they were previously worth. The market for chickens is away up. Eggs are higher than they ever were, and yet the price of beef remains about where it has been for years.

The CHAIRMAN. The Food Administration issued an embargo the other day on chickens.

Mr. HYDE. I saw it in the papers.

Senator RANDELL. You do not mean the retail price for beef remains the same?

Mr. HYDE. No, sir; but the price to the producer is practically the same as it has been for years.

Senator RANDELL. I think you are right in that. I just wanted to get that clear. You were speaking of the retail price of chickens.

Senator WADSWORTH. I think the prices of cattle on the markets are higher than they have been.

Mr. HYDE. Very little.

Senator WADSWORTH. Finished steers have gone from 12 to 15 cents.

Mr. HYDE. But the average in Oklahoma City of all they have bought was only \$7.28 a hundred.

Senator WADSWORTH. That is probably because a very small percentage of the runs at Oklahoma City have been finished steers.

The CHAIRMAN. Mr. Hyde, do you know that Mr. Lasater and Mr. Pinchot recommended that the farmer should receive for 100 pounds of live weight of hogs 14 times the price of a bushel of corn; were you aware of that?

Mr. HYDE. Yes; I knew they did that.

The CHAIRMAN. And then do you know that another commission, of which Mr. Wallace and Mr. Everetts were members, made another investigation, at the instance of Mr. Hoover, and they reported that in order to restore production to normal, it being 15 per cent below normal last year, it would be necessary for 100 pounds of live weight to be 13.3 times the value of a bushel of corn, and that in order to stimulate production over normal it would be necessary to pay for 100 pounds of live weight 14.3 times the value of a bushel of corn? And you know Mr. Cotton, who is now in control, insisted it should be not less than 13?

Mr. HYDE. Yes; but it is not.

The CHAIRMAN. Is it anything like that?

Mr. HYDE. No; it is not anything like that; it is not 10 to 1.

The CHAIRMAN. They all recommend that as necessary to stimulate production or even to restore it to normal.

Mr. HYDE. It is not now more than 10 to 1, and it is not 10 to 1 in Kansas and Oklahoma.

The CHAIRMAN. What I am getting at now is that the agents and representatives of the Food Administration recommended a ratio which does not prevail to-day. The actual ratio is much less than that, and the result which even they forecast is following—that is, a falling off in the production?

Mr. HYDE. If the ratio of 13 to 1 had been allowed to govern there is no question but what the hogs which have gone to slaughter would have easily carried 50 pounds more weight than they do now.

The CHAIRMAN. Because that would have been 21 or 22 cents a pound?

Mr. HYDE. It would have given some profit. As it has been, the farmer got rid of hogs as quickly as he could, because he was losing money. But if it had been left so he could raise the hogs at a profit they would have carried 50 to 100 pounds more weight when they went to market, which would have increased our meat supply that much.

The CHAIRMAN. You say you looked over the market of hogs at Oklahoma City. About how many were there when you looked over the market there?

Mr. HYDE. About 5,000.

The CHAIRMAN. And you say they averaged around 160 pounds?

Mr. HYDE. I do not believe they would average more than that.

The CHAIRMAN. What ought they to average under normal conditions?

Mr. HYDE. They ought to average 225 pounds.

The CHAIRMAN. Who is in charge of the meat division of the Food Administration now?

Mr. HYDE. Mr. Cotton.

The CHAIRMAN. Is Mr. Cotton a farmer?

Mr. HYDE. I understand he is a lawyer from New York. I do not know what his occupation is.

The CHAIRMAN. Do you know whether he ever had any connection with the packing houses as their attorney?

Mr. HYDE. I do not.

The CHAIRMAN. You spoke of Julius Barnes. Is he the president of the Wheat Corporation?

Mr. HYDE. Yes, sir.

The CHAIRMAN. Who is he?

Mr. HYDE. He is an exporter of wheat, and has been for years, from the spring-wheat belt.

The CHAIRMAN. Do you know whether he is a producer or a farmer?

Mr. HYDE. No, sir; he is not a farmer.

Senator GRONNA. He was the largest exporter of wheat in the United States for many years.

The CHAIRMAN. Do you know whether there are any practical farmers connected with the Food Administration in any capacity that carries power?

Mr. HYDE. I do not know of any farmers there at all.

Senator GRONNA. I just want to ask Mr. Hyde this question: Just briefly, what would you recommend? Would you recommend that we repeal this law and let the farmers attend to their business in an unrestricted way? Do you believe that it would be dangerous—I mean now with reference to unduly high prices; do you believe there would be any danger to do that?

Mr. HYDE. I do not.

The CHAIRMAN. Do you think, Mr. Hyde, if the Government would raise the guaranteed price of wheat from \$2 to \$2.50 at the farmers' local market, instead of the principal primary market that it would stimulate larger sowing of spring wheat?

Mr. HYDE. There is no question about that, and it would save hundreds of thousands of acres of winter wheat that does not look good

140 INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

enough now to save. I think if the minimum price of wheat was raised to \$2.50 at the farmers' market that it would save several hundred thousand acres of winter wheat that does not look good, and it would increase the acreage of spring wheat in the spring wheat belt so that we might possibly have a normal acreage this year; and the grades should also be reduced from No. 1 to No. 2.

The CHAIRMAN. No. 1 is really the ideal grade?

Mr. HYDE. Yes.

Senator GRONNA. You mean the basic price should be on No. 2 instead of No. 1?

Mr. HYDE. Yes.

I would like to insert as a part of my remarks two newspaper clippings relating to the farm census to which I have referred.

The CHAIRMAN. Without objection you may do so.

(The matter referred to is herewith printed in full:)

SOW TO BECOME WELCOMED GUEST—PATRIOTIC FARM CENSUS SHOWS LESS THAN ONE SOW TO EVERY OKLAHOMA FARM—SEED CONDITION IN STATE VERY CRITICAL—PARTIAL FARM CENSUS REPORTS ARE NOW IN FROM 45 COUNTIES.

OKLAHOMA CITY, OKLA., February 13.

Patriotic farm census reports which have been received from 45 of the 77 counties in Oklahoma show a critical state of affairs respecting reduced stock of brood sows and seed for this year's crops which are now in the hands of the farmer. The entire census will be completed and in the hands of the Oklahoma State Council of Defense by the last of February or the first of March.

Reports at hand show that throughout the State there is an average of less than one brood sow to the farm and that there are fewer cows than shown by any State census yet taken. The seed condition is shown to be critical, showing that in many sections there is not a sufficient quantity on hand to supply the amount required by the farmers.

FARMERS SHOULD REPAIR MACHINERY.

OKLAHOMA CITY, OKLA., February 13.

The plan of machinery houses to put on a machinery week in Oklahoma when farmers will be instructed and urged to repair their old machinery is regarded as an important move by the Oklahoma State Council of Defense. The waste suffered by Oklahoma farmers in this manner in the course of five years is enormous but under normal conditions that is the farmer's affair. To-day, however, it is the Nation's affair. Crops must be raised and machinery will be needed. The factories of the country, however, and the material which would ordinarily go into this machinery is required in this time of stress for war purposes. The farmer who keeps his machinery in order and makes the old machines do service for another year or two is rendering a valuable service to his country.

The CHAIRMAN. If there are no further questions you may be excused, and the committee thanks you for your statement.

I would like to place in the record a statement issued by the Bureau of Markets, Department of Agriculture, showing the wholesale prices of meat at principal eastern markets.

(The statement referred to is herewith printed in full:)

INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS. 141

Daily wholesale prices, week ending Feb. 8, 1918.

WESTERN DRESSED FRESH BEEF.

| | Feb. 4. | Feb. 5. | Feb. 6. | Feb. 7. | Feb. 8. |
|----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Boston: | | | | | |
| Steers— | | | | | |
| Choice..... | \$17.75-\$18.25 | \$17.25-\$18.25 | \$18.00-\$18.25 | \$18.00-\$18.25 | \$18.25-\$18.75 |
| Good..... | 17.25-17.75 | 17.25-17.75 | 17.75-18.00 | 17.75-18.00 | 18.00-18.25 |
| Medium..... | 17.00-17.25 | 17.00-17.25 | 17.00-17.75 | 17.00-17.75 | ..... |
| Cows— | | | | | |
| Good..... | 15.50-16.00 | 15.50-16.00 | 15.50-16.00 | 15.50-16.00 | 15.50-16.00 |
| Medium..... | 15.00-15.50 | 15.00-15.50 | 15.00-15.50 | 14.75-15.50 | 15.00-15.50 |
| Common..... | 14.50-15.00 | 14.50-15.00 | ..... | ..... | ..... |
| Bulls— | | | | | |
| Good..... | 14.50-15.00 | 14.50-15.00 | 14.50-15.00 | 14.50-15.00 | 14.50-14.75 |
| Medium..... | 14.00-14.50 | 14.00-14.50 | 14.00-14.50 | 14.00-14.50 | 14.00-14.50 |
| New York: | | | | | |
| Steers— | | | | | |
| Choice..... | 18.00-19.00 | 18.00-19.00 | 18.00-19.00 | 18.00-19.00 | 18.00-19.00 |
| Good..... | 17.50-18.00 | 17.50-18.00 | 17.50-18.00 | 17.50-18.00 | 17.00-18.00 |
| Medium..... | 16.50-17.50 | 16.50-17.50 | 16.50-17.50 | 16.50-17.50 | 16.50-17.00 |
| Common..... | 16.00-16.50 | 16.00-16.50 | 16.00-16.50 | 16.00-16.50 | 16.00-16.50 |
| Cows— | | | | | |
| Good..... | 16.00-16.50 | 16.00-16.50 | 16.00-16.50 | 16.50-17.00 | 16.00-17.00 |
| Medium..... | 15.00-16.00 | 15.00-16.00 | 15.50-16.00 | 15.50-16.00 | 15.00-16.00 |
| Common..... | 14.00-15.00 | 14.00-15.00 | 14.50-15.00 | 14.50-15.00 | 14.00-15.00 |
| Bulls— | | | | | |
| Medium..... | 15.50-16.50 | 15.50-16.50 | 15.50-16.50 | 15.50-16.50 | 15.50-16.50 |
| Common..... | 15.00-15.50 | 15.00-15.50 | 15.00-15.50 | 15.00-15.50 | 15.00-15.50 |
| Philadelphia: | | | | | |
| Steers— | | | | | |
| Choice..... | ..... | ..... | 20.00 | 19.50-20.00 | ..... |
| Good..... | 18.00-19.00 | 18.00-19.00 | 18.00-19.00 | 18.00-19.00 | 18.00-19.00 |
| Medium..... | 17.00-18.00 | 17.00-18.00 | 17.00-17.50 | 17.00-17.50 | 17.00-17.50 |
| Common..... | 16.00-16.50 | 16.00-16.50 | 15.50-16.50 | 15.50-16.50 | 15.50-16.50 |
| Cows— | | | | | |
| Good..... | 16.00-17.00 | 16.00-16.50 | 16.00-16.50 | 16.00-16.50 | 16.00-16.50 |
| Medium..... | 15.50-16.00 | 15.00-16.00 | 15.00-16.00 | 15.00-16.00 | 15.00-16.00 |
| Common..... | 14.50-15.50 | 14.50-15.00 | 14.50-15.00 | 14.50-15.00 | 14.00-14.50 |
| Bulls— | | | | | |
| Medium..... | 15.00-16.00 | 15.00-16.00 | 15.00-16.00 | 15.00-16.00 | 15.00-16.00 |
| Common..... | 14.50-15.00 | 14.50-15.00 | 14.50-15.00 | 14.50-15.00 | 14.50-15.00 |
| Washington: | | | | | |
| Steers— | | | | | |
| Good..... | 17.00-18.00 | 17.00-18.00 | 17.50-18.50 | 17.50-18.50 | 17.50-18.50 |
| Medium..... | 16.00-17.00 | 16.00-17.00 | 16.50-17.50 | 16.00-17.00 | 16.00-17.00 |
| Common..... | 15.00-16.00 | 15.00-16.00 | 16.00-16.50 | 15.50-16.00 | 15.00-16.00 |
| Cows— | | | | | |
| Good..... | 16.00-16.50 | 16.00-16.50 | 16.00-16.50 | 16.00-16.50 | 16.00-16.50 |
| Medium..... | 15.50-16.00 | 15.50-16.00 | 15.50-16.00 | 15.50-16.00 | 15.50-16.00 |
| Common..... | 15.00-15.50 | 15.00-15.50 | 15.00-15.50 | 15.00-15.50 | 15.00-15.50 |

WESTERN DRESSED FRESH LAMB AND MUTTON.

| | | | | | |
|----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Boston: | | | | | |
| Lambs— | | | | | |
| Choice..... | \$23.50-\$24.00 | \$23.50-\$24.00 | \$24.00-\$25.00 | \$24.00-\$25.00 | \$24.50-\$25.00 |
| Good..... | 23.00-23.50 | 23.00-23.50 | 23.00-23.50 | 22.00-23.00 | 22.00-23.00 |
| Medium..... | 20.00-22.00 | 20.00-22.00 | 20.00-22.00 | 20.00-22.00 | ..... |
| Yearlings— | | | | | |
| Medium..... | 18.00-19.00 | 18.00-19.00 | 17.00-18.00 | 17.00-18.00 | ..... |
| Common..... | 15.00-17.00 | 15.00-17.00 | 15.00-17.00 | 15.00-17.00 | ..... |
| Mutton— | | | | | |
| Good..... | 19.50-20.00 | 19.50-20.00 | 19.50-20.00 | 19.50-20.00 | ..... |
| Medium..... | 18.00-19.00 | 18.00-19.00 | 18.00-19.00 | 18.00-19.00 | ..... |
| New York: | | | | | |
| Lambs— | | | | | |
| Choice..... | 24.00-25.00 | 24.00-25.00 | 24.00-24.50 | 24.00-24.50 | 23.00-24.00 |
| Good..... | 23.00-24.00 | 23.00-24.00 | 23.00-24.00 | 23.00-24.00 | 22.00-23.00 |
| Medium..... | 22.00-23.00 | 22.00-23.00 | 21.50-22.50 | 21.50-22.50 | 20.00-21.00 |
| Mutton— | | | | | |
| Good..... | 20.00-22.00 | 20.00-22.00 | 20.00-22.00 | 20.00-21.50 | 19.50-21.00 |
| Medium..... | 19.00-20.00 | 19.00-20.00 | 19.00-20.00 | 19.00-20.00 | 18.00-19.50 |
| Common..... | 18.00-19.00 | 18.00-19.00 | 18.00-19.00 | 17.50-19.00 | 17.00-18.00 |
| Philadelphia: | | | | | |
| Lambs— | | | | | |
| Choice..... | 23.00-24.00 | 23.00-24.00 | 23.00-24.00 | *22.00-23.00 | *22.00-23.00 |
| Good..... | 22.50-23.00 | 22.00-22.50 | 22.00-22.50 | 21.00-22.00 | 20.50-21.50 |
| Medium..... | 22.00-22.50 | 21.50-22.00 | 21.50-22.00 | 20.00-21.00 | 19.00-20.00 |

* Few at \$19.

* Few at \$24.

* Bulk at \$22.

142 INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

Daily wholesale prices, week ending Feb. 8, 1918—Continued.

WESTERN DRESSED FRESH LAMB AND MUTTON—Continued.

| | Feb. 4. | Feb. 5. | Feb. 6. | Feb. 7. | Feb. 8. |
|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Philadelphia—Contd. | | | | | |
| Yearlings— | | | | | |
| Good..... | | \$21.00-\$22.00 | \$21.00-\$22.00 | \$21.00-\$22.00 | |
| Medium..... | | 20.00- 21.00 | 20.00- 21.00 | 20.00- 21.00 | |
| Mutton— | | | | | |
| Good..... | \$19.00-\$20.00 | 19.00- 20.00 | 19.00- 20.00 | 19.00- 20.00 | \$19.00-\$20.00 |
| Medium..... | 17.00- 18.00 | 17.00- 18.00 | 17.00- 18.00 | 17.00- 18.00 | 17.00- 18.00 |
| Common..... | 15.00- 16.00 | 15.00- 16.00 | 15.00- 16.00 | 14.00- 16.00 | 14.00- 16.00 |
| Washington: | | | | | |
| Lambs— | | | | | |
| Choice..... | 24.00- 25.00 | 24.00- 25.00 | 24.00- 25.00 | 23.00- 24.00 | 23.00- 24.00 |
| Good..... | 23.00- 24.00 | 23.00- 24.00 | 23.00- 24.00 | 23.00- 23.00 | 22.00- 23.00 |
| Medium..... | 22.00- 23.00 | 22.00- 23.00 | 22.00- 23.00 | | 20.00- 22.00 |
| Mutton—Medium..... | | | 18.50- 19.00 | | |

¹ Few at \$25.

Lamb prices, "pluck in" at New York and Philadelphia. All other lamb and mutton prices, "pluck out."

The CHAIRMAN. There being nothing further to come before the committee, we will now adjourn.

(Thereupon, at 12.15 o'clock p. m., the committee adjourned to meet subject to the call of the chairman.)

INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE AND FORESTRY UNITED STATES SENATE

SIXTY-FIFTH CONGRESS

SECOND SESSION

RELATIVE TO

INCREASING THE PRODUCTION OF GRAIN AND MEAT
SUPPLIES OF THE UNITED STATES

MONDAY AND TUESDAY, MARCH 4 AND 5, 1918

Printed for the use of the Committee on Agriculture and Forestry

PART 3



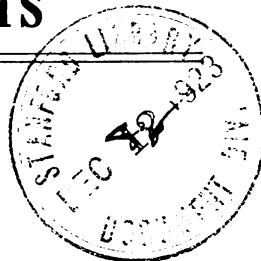
U. S. FOOD ADMINISTRATION

NOV 7 1918

INFORMATION BUREAU LIBRARY

WASHINGTON
GOVERNMENT PRINTING OFFICE

1918



COMMITTEE ON AGRICULTURE AND FORESTRY.

THOMAS P. GORE, Oklahoma, *Chairman.*

GEORGE E. CHAMBERLAIN, Oregon.

ELLISON D. SMITH, South Carolina.

HOKE SMITH, Georgia.

MORRIS SHEPPARD, Texas.

JOSEPH E. RANDELL, Louisiana.

WILLIAM H. THOMPSON, Kansas.

EDWIN S. JOHNSON, South Dakota.

JOHN B. KENDRICK, Wyoming.

FRANCIS E. WARREN, Wyoming.

CARROLL S. PAGE, Vermont.

ASLE J. GRONNA, North Dakota.

GEORGE W. NORRIS, Nebraska.

WILLIAM S. KENYON, Iowa.

JAMES W. WADSWORTH, Jr., New York.

J. ROY THOMPSON, *Clerk.*

- INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

MONDAY, MARCH 4, 1918.

**UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.**

The committee met, pursuant to call of the chairman, at 10.30 o'clock a. m., in the committee room, No. 326 Senate Office Building, Senator Thomas P. Gore presiding.

Present: Senators Gore (chairman), Ransdell, Kendrick, Warren, Page, Gronna, and Wadsworth, jr.

The CHAIRMAN. The committee will first hear Mr. Reid. Please state your full name, address, and occupation.

STATEMENT OF MR. HANK REID, PUBLISHER OF THE SHEPHERD'S JOURNAL, CHICAGO, ILL.

Mr. REID. My name is Hank Reid, which is the name used in connection with my farm paper, the Shepherd's Journal, in Chicago.

The CHAIRMAN. How long have you been connected with that publication, Mr. Reid?

Mr. REID. I have been connected with it about four years, and I have owned it about a year and a half.

The CHAIRMAN. What is your address?

Mr. REID. The Tower Building, Chicago.

The CHAIRMAN. Mr. Reid, the committee is looking into the food situation generally, and the wheat and meat situation in particular. We would like to hear from you on the meat situation, I suppose, with particular reference to sheep.

Mr. REID. Do you want me to give a synopsis of what I know, or would you rather question me?

The CHAIRMAN. No; you better make your own statement, in the first instance, and then the committee will interrogate you.

Mr. REID. The phase of the matter I am particularly interested in at the present time is that of what we call feeder sheep. There was a movement last summer and last fall, which was inspired especially by the Food Administration and also by all people interested in the betterment of live stock, like the college agricultural stations, and institutions like that, to get feeder sheep on the farms in the corn belt for the purpose of cleaning up the farms; and, of course, the "corn belt" is a very elastic term. But I am speaking relatively, perhaps, of the Eastern States; and thousands of farmers have been encouraged by my paper and myself, and by the Food Administration, and the Department of Agriculture, and every possible agricultural uplift agency, if you can call it such, to feed sheep

Senator PAGE. You speak of the eastern section; do you refer to New England?

Mr. REID. I am speaking of all the section from Minnesota and Iowa east, including Minnesota and the Northern and North Central and Eastern States. Unfortunately, we do not have many sheep in the old South.

Senator PAGE. You know the chief trouble, apparently, in New England to-day is the dog question.

Mr. REID. That is very largely so, but not wholly so. You could fence out dogs where you could not fence out disease; and the dog question has sometimes been used as an excuse. I believe that a tax on dogs, however, would be a good thing to eliminate a lot of worthless curs; but dogs are not an insurmountable obstacle. When we got all these farmers last fall to buy sheep, the Chicago market at that time was around 14 to 16 cents on feeders and from 18 to as high as 22 cents on fat stuff. So that there was a spread there of from 4 to 6 cents in price, which looked safe.

The thousands of farmers, particularly in Iowa, Indiana, and Illinois, as well as the more eastern States—for instance, New York is a big sheep State, and so also is Ohio—bought these feeder sheep with the thought of cleaning up the grains on their farms and consuming a lot of weeds and waste and trash of all kinds. The sheep ate up a lot of soft corn and, in general, from the standpoint of what Mr. Houston would call "scientific agriculture," as well as from the standpoint of practical farming, it was an excellent thing, because sheep are not ordinarily fed wheat or any high-priced feed, and they are not fed very much. You can feed a sheep for less than any other domestic animal, and you can make more pounds for less feed and dollar for dollar; owing to these conditions there ought to be more profit to the farmer in sheep than in any other form of live stock. And ordinarily there has been in the last couple of years, because wool has been at good price to the producer and there has been a fairly good price on mutton.

Also, on the feeder question. In the drought-stricken States, like Texas and sections of Kansas and other Western States, it has been possible to ship East, which has been a very good thing for the ranchmen. They have been able to send in their thin sheep that they can raise out there so well and cheaply, owing to the natural conditions, getting a reasonably good price for them, say, 14 to 16 cents. That allows them a good profit.

Well, then, these thin sheep are taken and fed up under a more intensive method, so to speak, in our more eastern localities, and by "eastern," as I say, I mean east of the Mississippi River, including, of course, Iowa and Minnesota.

Senator PAGE. And what grains are used in feeding them up?

Mr. REID. The grain farmer in these States can very nicely turn them loose on his fields for a month or so with very little supplementary feed. But later on, where he has to buy his feeds, as is now the case, he can not come through. Later corn silage—but the wastes on the farm in the early autumn are the things to feed the sheep on. They let the sheep run around on the farm and clean up the waste in the grain fields and fence corners and then later on put them on silage and clover and maybe some oats.

The condition to-day is that these sheep get back into the stock-yards and the farmers are not getting the prices for the 85 and 90 pound sheep and 100-pound sheep that they are entitled to. The packers say there is no demand for those sheep. Years ago the packers used to say that a lamb under 100 pounds was not fat at all, and they wanted 100-pound lambs; then last fall 80 or 90 pounds was considered about right, and I think that is about right. But now they will only buy 65 or 70 pound stuff, because there is a very large quantity of these reasonably fat lambs available. Mr. Hoover has gone on record in stating that he does not believe in overfat cattle of any kind; that it is not war-time economy to feed cattle and hogs and sheep to a very fat condition, and we agree with that. But an 85 or 90 pound lamb is not overfat. The packers to-day are actually paying less for those lambs than they are for the thin feeder stuff weighing from 55 to 70 pounds, which is not only an outrage but an economic crime. They buy always just what the market has not got. The result is that these men in all these sections are bringing in these sheep that have been fed in good faith on the previous conditions of the market to lose all the way from \$1 to \$4 a head in actual money.

The CHAIRMAN. The prices relatively low on the good stuff and relatively high on the poor stuff?

Mr. REID. Yes; and the Wilson administration or no one else in it seems particularly concerned with remedying that condition.

Senator KENDRICK. Within a week I have gone to the Food Administration and made an appeal for relief, if relief could be furnished by them, to the extent of influencing high prices for these men who have been caught between the upper and the nether millstones and who are having their equities in the sheep wiped out and then part of their previous earnings lost along with it; and I learned from Mr. Hoover that he—at least, it appeared, as near as I could tell anything—was in sympathy with a movement of that kind if it could be done. But he explained that they had no power to influence the packers, in view of the fact that they are not buying any mutton. He said they already had taken off at least temporarily this restriction—

Mr. REID. Yes; that was done at my request. I submitted data to him on that.

Senator KENDRICK (continuing). On the use of mutton, and that he would be glad, as I understood him, to lend a hand in increasing the price on mutton, if he had the power to do so. I thought I had better explain that to you, because he told me so personally.

Mr. REID. I had a very pleasant and plain talk with Mr. Hoover last Friday myself, and I had seen him previously at the first conference with publishers in Chicago; and I saw Mr. Houston a year ago last spring when we had a conference about the increase of farm production. But if you want to touch that phase of the situation, I feel this way about it, and I feel very strongly on it: I do not want to inject any politics into this discussion, but the fact remains that if we have a meat shortage and a crop shortage this year, as we will have unless very drastic measures are taken by the President and those under him, we will lose the war from lack of food. That is a thing that I think you could easily get Mr. Hoover to admit.

Senator KENDRICK. That may be true.

Mr. REID. And it is all very well to talk in an academic manner as to whether the administration has the power or whether they have not the power to rectify this condition, but the fact remains, according to everything the Food Administration and our administration, as well as what Lord Rhondda, the Englishman, have given us—there is now actual famine in France and Great Britain, and there is a food shortage along some lines in this country. We did not get the crops last year that we thought we had, not by any manner of means.

Either President Wilson and Mr. Hoover and Secretary Houston will take the steps necessary to get an increase—a very large increased production of crops and live stock this year—or else, speaking from the meat standpoint, the farmers in the country that have these animals will bring them into the market and take what they can get for them, take their losses, and then they will quit, and if they do quit we will lose the war. There are no two ways about that. We are facing an emergency. We might just as well be plain about it; and I think that the matter has got to a point where our President himself ought to do something about it. We are faced with a situation on food much more drastic and much more serious than anything we have faced with regard to the railway regulation or with regard to any other economic question we have ever had.

Senator RANDELL. Mr. Reid, did you read the article in the morning Post in regard to the fact that meat was more plentiful, and hogs for the last two weeks were averaging 232 pounds instead of 200 pounds, which was the average for some years back?

Mr. REID. I did not see that statement. I would say this, that there is undoubtedly a very big increase in the receipts at the packing houses to-day, and that there will be, just as soon as we get cars, up to the point where the stock on the farms are depleted—that is just the point I am making. I do not doubt but what the prices will drop then and will break, and that there will be a superabundance of meat for the next two or three weeks on the markets. I have every reason to believe that, but the point I am making is that when these men that bring their stuff in and take their losses they will not buy any more stock to feed.

Senator RANDELL. You mean they will not attempt to breed any more and that the breeders will sell the immature stock?

Mr. REID. That has been done, you know, to a very great extent in the past two years, and they have bred less sheep last year than the year previous.

The CHAIRMAN. Three million?

Mr. REID. Three million to 4,000,000. We had a year ago fifty-two million and odd sheep in the country, and I get the idea from the Department of Agriculture that they think we have 4,000,000 less now.

Senator RANDELL. How is it about cattle? I understood we had more cattle.

Mr. REID. I could not speak to you very intelligently about cattle, but I think we have more hogs than we had, but I certainly would be greatly surprised to know we have more cattle.

Senator RANDELL. I do not know whether it is true, but I was told that.

Mr. REID. I could not say. I would not like to guess, as I do not know.

The CHAIRMAN. I think there were 5,000,000 less cattle came on the market than the year before.

Senator GRONNA. I can speak with knowledge with respect to Montana and North and South Dakota. Montana has practically shipped out everything they have, and that is also true of North and South Dakota.

Senator RANDELL. Are you speaking of cattle?

Senator GRONNA. Yes; cattle and hogs.

Senator RANDELL. And then how is it with respect to breeding stock?

Senator GRONNA. In Montana the "she" stuff has been shipped out by the thousands.

The CHAIRMAN. I think that is one of the two fundamental considerations—the selling of breeding stuff and the selling of immature stuff.

Mr. REID. I can say with respect to breeding stock in sheep that I have been trying for three months to buy for some of my friends a double-decked carload of good-bred ewes (300 to 325 in number), and it has been almost impossible to purchase them at any price.

Senator RANDELL. Why? They are so scarce, you mean?

Mr. REID. They are so scarce; yes, sir.

Senator KENDRICK. Do you not think that was due possibly to the fact that they have such a high-earning power and that the wool from them is selling at such a high price? And I want to explain there that I think my State is in the lead in the production of mutton and wool.

Mr. REID. Yes; it is.

Senator KENDRICK. It is not possible for anyone before this committee to have a greater interest in this wool and mutton production than I have, but the statements made by you a moment ago were intended to bring out a question of how we could get this remedied and secure this relief.

Mr. REID. I think that if we are facing a famine in meat as well as some other things—and I have reason to believe that from statements I have received from England and statements of our own President and our own Food Administrator—if there is such a famine there, and we know there will be a glut of meat on the markets here very shortly—as a matter of fact, common sense indicates it. I have talked to hundreds or even thousands of representative farmers, men who own land, men who are responsible men, that are of both kinds of politics, just as many Democrats as Republicans—it is not a political issue—and they feel as if, frankly, they have been betrayed. And here is the belief regarding the packers: The Government had this law passed, which you gentlemen, no doubt, could tell me more about from the legal viewpoint than I could, but we all supposed that there were teeth in that law—the packers were to be absolutely controlled, even more than the railways are controlled under the Interstate Commerce Commission—that the Government and the Food Administration did have the power to regulate the packers. We know, from experience at least, that the amount of regulation that the Government has been doing, so far as the packers

are concerned is not only merely perfunctory, but really ridiculous. They have no more apparent control of the packers, from what I have told me, than I have, and further than that, the farmer has been taking his losses before this year; he has taken his chances with the packers as a kind of a catch-me-catch-can process; but he knew—he did it with his eyes open; he never had the Government legislate anything about this; he never had these people put under license and under control. Now, he brings his stock in and he is robbed, and he is robbed under Government license.

If things like that happened in a saloon, even in Chicago, sometimes we can call the police and do something, even if these men have influence, even if the judge lets them out afterwards. The police force of the Government, as represented by the President, the Food Administration, and the Secretary of Agriculture, as they seem to say, is absolutely nil. We have the police force, and there is no reason or cause why the packers should take \$1,000 out of the farmer in a carcass of sheep and not have something done in the matter of license that I should go into a saloon, if I were of that kind, and be robbed and that I would not have some legal recourse.

The CHAIRMAN. You think, Mr. Reid, that the farmers are being compelled to sell their sheep at less than cost of production?

Mr. REID. I do not think there is any question about it.

Senator KENDRICK. They are undoubtedly doing that.

The CHAIRMAN. I know that is true with reference to cattle and hogs, because that proof is here before us.

Senator KENDRICK. But here is the point, Mr. Chairman. I would like to make: There is unlimited demand on the part of the export trade for both beef and pork products, but they are not buying, as I understand it, any mutton.

The CHAIRMAN. For export?

Senator KENDRICK. For export; and our military forces are not buying any mutton.

Mr. REID. The Englishmen do not take our mutton because it is not fat enough for them; they do not like it on that account.

Senator KENDRICK. The difference in the situation as to the pork and beef comes in the fact that they have a way of controlling it. The President or Mr. Hoover could say: "We will give you this price for beef; therefore you pay this price." We claim they should say: "We will give you this price for pork; therefore you pay this price." But they have no way, as I understand it, to fix a price on mutton because they have no place to put the mutton at that price.

The CHAIRMAN. The testimony before the committee here has been that feeders are selling their cattle at less than cost of production, and losing \$15 to \$25 a steer, and that hogs are being sold at less than cost of production.

Mr. REID. \$5 to \$10, Senator.

The CHAIRMAN. I have a letter from a farmer, saying that he lost \$100 on the corn he fed into his stock, and I have a letter from an Omaha man stating that they lost \$4 a hundred on the live-weight hog as checked up with what they paid for corn in Omaha at the time.

Senator PAGE. Mr. Reid, do I understand from you that the packers are proceeding regardless of all economic laws of supply and

demand? When they pay you for sheep, do they not pay that price because they are compelled to meet the situation with the consumers with regard to what they want, what class of meat they want, and what class of meat is demanded by England? Do not economic laws govern this largely now, as they have always governed it?

Mr. REID. Not in the least. The law of supply and demand does not operate when five or six individuals control both.

Senator RANDELL. Can you tell me who determines our soldiers shall eat mutton or hog or beef meat? Senator Kendrick said they were not eating mutton.

Mr. REID. I suppose that the Quartermaster General would determine that. So far as the allies are concerned, there are certain possible difficulties in the way of refrigerating and the methods of handling meat while sending it abroad that we could not well do it. In Australia they have under the Government supervision and under Government ownership a very wonderful system of refrigerating or freezing plants for freezing mutton and rabbit. If they had the ships in which it could be sent and if we had such facilities over here as they have and as I understand they also have in Argentina—in Argentina it is our own packers, by the way—but in this country I am told we have no such refrigerating facilities. And, anyway, the English will not take our thin mutton. They like lamb that is very fat, that is more fat than meat, and they would not eat the thin lamb.

Senator RANDELL. There are only a comparatively small proportion of our soldiers over there.

Mr. REID. I am speaking of the English situation regarding export; but so far as our soldiers are concerned, I do not know of any reason on earth, since the Food Administration claims to have difficulty in getting sufficient pork and beef to export, why we should not feed our boys mutton over here. I suppose the Quartermaster General's Department would have control of that, but I really do not know. I am not an authority on these Government matters, but I would assume that would be the department that would control those things.

But you speak about the law of supply and demand. In the first place, I am speaking of the packers' sheep buyers, and it is probably true of other live stock. The sheep buyers from one of the packers will come to you in the sheep yard at Chicago or any other place in the country, and look at your sheep, and he will tell you what he will pay for them absolutely regardless of what they are worth, and he will intimate to you that you better take that much, because if you do not you will not get any more. If he is the representative of one of the leading packers, you will not receive a bid of more than a quarter to one-half of a cent a pound more than that by any other buyer on that same day. That does not happen once in a while, but it happens every day, and so after you have gone the rounds of five or six buyers on the market and you never get over a certain price, after it has been intimated to you pretty strongly that is the highest price, you think it is more than a coincidence.

Senator RANDELL. Does the price fluctuate from day to day?

Mr. REID. Yes; they run the prices up and down, and those fluctuations are very hard to understand. The packers have actually

paid a number of times recently a cent more per pound for thin western feeder lambs in poor condition than they paid for good, prime, reasonably fat lambs at 85 to 90 pounds. Our market department of agriculture claims that on what they call and what the packers call light handy weights, or lambs dressing 35 to 40 pounds—you will lose about 50 per cent, according to the ordinary idea about dressing—so that would make an 80-pound lamb. There have been times recently when you could not sell lambs weighing 80 to 100 pounds for anything like what you could sell 55 to 70 pound, and that is a thing that ought to be stopped.

The CHAIRMAN. What is the explanation?

Mr. REID. The packer always buys what there is the least demand for; that is axiomatic in the stockyards.

Senator RANDELL. Will you discuss that fact later?

Mr. REID. Just a little further on.

There is another practice the packers have, and that is a matter I think the Federal Trade Commission has had under consideration. You speak of the law of supply and demand. I made the statement that when one man controls both the supply and demand that it does not operate, and I stick to that statement; because the butchers pay what the packers tell them to pay, and they charge their customers pretty close to what they are told to charge. You could not get a butcher to tell you that. They would be put out of business if they did. But it is so. And, more than that, the packers themselves will buy in Omaha, for example, sheep, and they will ship those sheep to Kansas City or Chicago, or if they do not buy them direct, they will buy them through their friends and employees or whoever they are, and that will break the primary market at those places.

The CHAIRMAN. You do not mean the buying will break the market?

Mr. REID. They will buy, for example, reasonably fat stuff at Omaha or Denver, we will say, at 18 cents a pound, and the packers themselves, or their secret representatives, will ship that stuff into Chicago or into Kansas City or Omaha, and sell that at 13 or 14 cents a pound that day, and that will break the market. There is no law of supply and demand in that.

The CHAIRMAN. Three or four cents less or more?

Mr. REID. Three or four cents less, and they will make their gains by the break in the market shipped to.

The CHAIRMAN. Losing on their own stuff?

Mr. REID. Losing on a few carloads of their own stuff to break all the rest of the market. The law of supply and demand does not operate under a condition like that, and there is no competition in buying anything in the live-stock markets to-day. The allied Governments were organized under the Food Administration to buy, and the Food Administration say they have no control. If it is true, it ought to be rectified.

And there is no butcher in the world—in the small towns or any other place where they are supplied directly by the packers—who would dare to go out and buy meat locally. If he did that he would be put out of business.

Senator WADSWORTH. Just a moment. You say that if a butcher should go out and buy meat locally, if he is supplied by the packers he would be put out of business?

Mr. REID. If they are supplied by the packers they would be put out of business, and they know it.

Senator WADSWORTH. Are you sure about that?

Mr. REID. I know it. When they do that they are put out of business, and they never could get their supply from the packers.

Senator WADSWORTH. I know that is not true, because I have sold to local butchers hundreds and hundreds of head of stock, and they are also supplied by the packers.

Mr. REID. I have also known—

Senator WADSWORTH (interposing). And they are not out of business.

Mr. REID. I have known of quite a large number of instances where butchers have refused to buy from farmers, and they have stated that was the reason why they did not buy from them.

Senator WADSWORTH. You may know of some instances; but I can not permit to go into the record a chamber of horrors to that extent, that there is no butcher that has any independence in such a matter.

Mr. REID. Yes; but he runs the risk of having his supply cut off just the same.

Senator PAGE. Are you certain that they have their supplies cut off?

Mr. REID. Certainly.

Senator PAGE. I am connected somewhat with this business, and I am slow to believe that such a thing occurs, and I wish, if you have any concrete instances, that you would state them so that we can look them up.

Mr. REID. I have said in the beginning of my testimony that it would be utterly impossible to get a butcher in here or any other place who wants to stay in business to testify to a thing like that, because then they would be put out of business.

Senator WADSWORTH. My dear sir, I can get any number of butchers to do that. You are making pretty broad statements.

Senator KENDRICK. I would like to say, along with Mr. Reid's statement, that for every instance you can prove a butcher will do this I believe we can produce a hundred men to testify that they do not dare to do it. If you want to get that kind of a record here it can be made. There is no trouble about that.

The CHAIRMAN. We can not take a census of the butchers of the United States and bring them here.

Senator WADSWORTH. Where do you want to draw the line? We should absolutely establish the accuracy of the statement.

Mr. REID. I have made a statement of absolute accuracy. I have been following this business for years.

Senator WADSWORTH. So have I.

Mr. REID. I run across large numbers of butchers and farmers. I venture to say I have met more farmers—although Senator Gronna questioned that the other day—than anybody here. I travel all over the country. The Shepherd's Journal has a national circulation. I have made it my business in the last couple of years to see a large number of butchers in different places, especially in the small country towns, and I do not intend to tell the names, as a great majority of the butchers are supplied in some way from some packing source. I know it to be a fact, just the same, that those things do happen, and

I think every other man who has ever had anything to do with the packers or with the butchers and farmers could testify to that. There is nothing inaccurate about that statement.

Senator WADSWORTH. But when you make it universal or all inclusive and say, "No one"—no butcher can do it, I say I happen to know they can.

Mr. REID. I will withdraw the statement so far as saying no particular one, but I will say that 90 per cent of them will not.

Senator WADSWORTH. I was going to ask you another point about fat lambs and steers. Had it occurred to you, Mr. Reid, that the campaign for food saving in the households and hotels and everywhere has had a very distinct effect in making more valuable, for the time being, the light carcasses than the heavy?

Mr. REID. Yes; but my claim here is that a light carcass is an 80 to 85 pound carcass.

The CHAIRMAN. Economically?

Mr. REID. The most economical one in every shape and form—I do not mean "carcass," I mean live weight, a 40-pound carcass.

Senator WADSWORTH. You reduced that to dressed carcass a little while ago in your testimony?

Mr. REID. Yes.

Senator WADSWORTH. Is it not a fact that the housewife who is being urged by the Government to be more economical in the amount of meat that her household consumes prefers, therefore, to buy a light roast or light leg of mutton, lighter than she ever did before?

Mr. REID. Why not buy the heavier one and use it for two meals? That has been the general practice.

Senator WADSWORTH. Yes; but there has been a very distinct change in the method of marketing on the part of consumers in the last year. The same thing is true of fat cattle. The big, fat, heavy steers are not fetching the price per pound the light dressed-beef steers do.

Mr. REID. I thought I made it very clear, Senator, at the start of my talk that I do not hold any brief for over-fat cattle or sheep. All I said was that it was economically bad to permit the grower to bring in reasonably fat sheep to market and sell it for less than poor, thin stuff, hardly fit for human consumption. I do not defend in war times, or any other time even, the overfeeding of any live stock. I am talking about reasonably fat stock and reasonably fat lambs, according to our view of markets and according to all authorities is stock which will dress 35 to 45 pounds, and that will make between 80 and 100 pound lamb.

Senator WADSWORTH. You said a while ago that very light lambs, which, prior to this time, would not have been considered fit for the pen, are now paid for sometimes at the rate of a cent per pound more than the heavy.

Mr. REID. Over reasonably heavy feeder lambs; yes.

Senator WADSWORTH. You do not think that the man who buys those and pays a cent a pound more for them does it for fun? There is some reason for it.

Mr. REID. Why, yes; I suppose there is. The reason is to break the market on the good stuff.

Senator PAGE. Do you mean to say that everything which pertains to the economic system of handling lambs to-day is the subject of manipulation and only manipulation?

Mr. REID. If you want to put it that way; certainly.

Senator PAGE. That is what I want you to state. I wish you would give us some concrete facts showing that, which I can not believe. I believe, as Senator Wadsworth does, that there is a household demand for a different class of mutton from what there was a year or two years ago, growing out of the direction of Mr. Hoover, or the recommendation of Mr. Hoover, in regard to meats.

Mr. REID. I agree with you, and I have defined three times what the Bureau of Markets and what Mr. Hoover and what everybody else said was the kind of lamb, and I have told you three or four more times the packers were paying for the poor thin stuff more than they are paying for that stock which everybody else agrees is the most economical.

Senator PAGE. Is not that because of the demand for that poor stuff?

Mr. REID. I think not; no.

Senator KENDRICK. Mr. Chairman, I would like to answer Senator Page here. The answer to your question, Senator Page, is found in the fact that the price to the consumer is not reflected in the price paid to the producer when it is bought by the great central controllers of the market.

Senator PAGE. I understand from what Mr. Reid said—

Senator KENDRICK (interposing). It does not. In many instances there is no reflection which indicates that there is an arbitrary price paid according to the opportunity of the buyer.

Senator PAGE. The point I want to raise, Senator, if I may answer you right there, is this, that I do not believe that is all a matter of manipulation. I believe that because of certain conditions attaching to the meat situation, there is a demand now by the general public for a different class of meats, and that the men that supply the butchers are compelled to cater to that demand, and the result is the condition which has been described by Mr. Reid.

Senator KENDRICK. Senator Page, of course those of us who have been up against this combination, as we believe it to be, of buyers for a lifetime, and who have endeavored with all our might to be reasonable in our conclusions, can not possibly subscribe to that opinion of yours altogether. For instance, when a man goes into the market with a class of cattle to-day that were bringing, we will say, approximately 10 cents yesterday, and because there are 100 or 40 or 50, perhaps, extra consignments to-day, those cattle are off 50 cents a hundred. Now, to-morrow there are a few light consignments and they are back at the old notch; there is no change in the market, and the excess receipts of cattle can not possibly be found in the great storage supply that is generally on hand all the time, which means clearly that it is operated on the basis of buying without regard to the values at the lowest possible price. That is the way every single transaction, in my judgment, is conducted in the stockyards. It is not a question of values throughout the country or anything like a universal basis of demand.

The CHAIRMAN. Senator Kendrick, you figure that the stuff they buy at 9½ cents on the day of excess shipments they probably sell to the trade for just as much?

Senator KENDRICK. Undoubtedly. There would be no reflection, Mr. Chairman, in the price paid.

Senator PAGE. One word, Mr. Chairman, and I will stop. I assume there may be more or less manipulation, but, on the other hand, it seems to me that the confession of Mr. Reid—his admissions before us this morning are to the effect that food conditions have made a demand for lighter, cheaper classes of lambs; it is not altogether manipulation; it is because there has sprung up, for reasons which we might explain, a demand for those light sheep.

The CHAIRMAN. Do the light sheep retail at less in the retail markets?

Senator WADSWORTH. Not per pound; no.

The CHAIRMAN. Then why is it that the housewife prefers to buy, paying the same price for cheap stuff as she would for the better stuff?

Senator WADSWORTH. It is not a question of the cheap stuff or the better stuff; it is a question of the gross weight she buys when she buys a leg of mutton a lighter weight, and she prefers to buy a very light leg of mutton and pay the same price per pound as she did a year ago for the heavier leg of mutton. That makes a demand for very light mutton and the very light beef.

The CHAIRMAN. Are the cuts standardized so, Senator, that it runs all the way through?

Senator WADSWORTH. There are certain favorite cuts, of course, in every carcass of beef or mutton.

The CHAIRMAN. And the size of the steer would readjust itself all the way through in all the cuts?

Senator WADSWORTH. Yes.

The CHAIRMAN. I will ask Mr. Reid if he is going to remain in the city. Dr. Warren is here and desires to be heard.

Mr. REID. I will remain until I have completed my testimony. May I make one remark before I leave the stand? I think the Senator ought not to say I have made a confession or admission. I am coming here talking facts. I am not confessing; I am telling the truth and giving facts the way I see them. That may not be the way the Senator sees them.

Senator PAGE. You admit what the facts are?

Mr. REID. Surely. But I am not confessing. I was very careful to go to the Department of Agriculture, as well as to a number of sheep breeders in and around Chicago, Kansas City, and elsewhere, before I came down here, and get the facts. I think Senator Gore will remember the testimony I gave before the Foot and Mouth Committee, and I think he will agree that most everybody thought that I knew what I was talking about. I resent just a little that when I come down here, the publisher of the only national sheep paper that is published in the United States, without due preparation. I have spent months in going into these things. I am not going off half cocked. I am trying my best to be accurate. I am not trying to crucify anybody, but I do not like to have my testimony impeached on just that kind of remark.

Senator WADSWORTH. There is no question of impeachment, even if we have differences of opinion or different motives.

Do you not think one of the principal reasons for the unfortunate spread on the wrong side of the ledger and the cost of beef and lamb is due to the fact, very largely, that the Government is not buying mutton?

Mr. REID. I think if the Government would buy mutton it would help the situation.

Senator WADSWORTH. I think the situation ought to be helped, myself. The only thing where you and I would disagree is that the whole situation is due to somebody's criminality. I think there are some artificial conditions interfering which are not at all criminal but which are nevertheless destructive.

Mr. REID. I believe there is more manipulation to-day than we have ever observed in the prices of wheat. There was a day when men brought in reasonably good stuff that they did feel they could get a reasonable return for their money. They tried to find out what the packers wanted and regardless of what they thought they brought it in. Now, the feeders are bringing in what the packers had wanted: they are bringing in what the Food Administration and the Secretary of Agriculture, and the Bureau of Markets of the Department of Agriculture, the Food Administration, retail butchers, and the housewives all agree is this light, handy weight stuff I am talking about. I am not talking about the fat stuff.

The CHAIRMAN. Do you know whether the farmers are obtaining reasonable returns on their sales?

Mr. REID. They are not.

The CHAIRMAN. The Government is buying pork and beef for the allies?

Mr. REID. Yes.

The CHAIRMAN. So that the Government purchasing within itself is not a sufficient remedy?

Mr. REID. I have been told by meat producers that the Government has been just as competitive as anyone; that they have taken advantage of breaks in the market to take it out of the producer, according to the way farmers talk.

The CHAIRMAN. Mr. Reid, I am going to ask you to yield to Dr. Warren.

Senator KENDRICK. Mr. Chairman, there was a question raised a moment ago about the number of cattle in the country that I think might be returned to.

The CHAIRMAN. I am going to have some cattlemen here in a few days and go into that fully. Would it suit you just as well to wait?

Senator KENDRICK. Just as well.

The CHAIRMAN. Then we will now hear Dr. Warren.

STATEMENT OF MR. G. F. WARREN, PROFESSOR OF FARM MANAGEMENT, CORNELL UNIVERSITY, ITHACA, N. Y.

The CHAIRMAN. Please state your full name, address, and profession.

Mr. WARREN. My name is G. F. Warren; professor of farm management, Cornell University, Ithaca, N. Y.

The CHAIRMAN. Doctor, in the first place, we would be glad to hear you make any statement you are pleased to submit with reference to the food situation in general in the United States and even the world, and particularly with reference to wheat and meat.

I may say to the committee that I read your address on the subject, and I thought it was very interesting, and it contains a good deal of thought apparently on the subject.

Mr. WARREN. The most of my work has been an effort to find out the facts of the situation without especially trying to determine their remedies. As I have gone over it I find to my satisfaction that the two factors which are going to settle our food supply for next year are weather and labor, and I think that we have failed to appreciate the necessity of insurance against unfavorable seasons, because the necessity did not exist in former years. In times of peace, if we had an unfavorable season, we exported less or imported a trifle. But to-day we get the full effect of a bad season, and I think we have, in general, failed to appreciate just how bad it may effect us.

I have calculated from the reports of the Department of Agriculture the average yield per acre of the six grains—corn, oats, wheat, barley, rye, and buckwheat—for every year since 1866, so as to see what weather does do.

In the past 20 years the average yield per acre of these grains has been 1,198 pounds for the entire United States for all grains.

Senator PAGE. One thousand one hundred and ninety-eight pounds per acre?

Mr. WARREN. Yes; in 1917 it was 1,259 pounds. There has been one year in the last 20 that the yield was less than three-fourths of what we got last year. So that, as I see it, there is one chance in 20 that next year we will have less than three-fourths as much grain as we had this past year.

The CHAIRMAN. You mean in the current calendar year?

Mr. WARREN. Yes; there is one chance in 20 that we will have less than three-fourths of the grain we had in 1917—that is, if we have a dry year such as we had in 1901 or a year as dry as we had in 1890 or in 1894, or as dry as we had in 1887 or 1881, or as dry as we had in 1874.

Senator PAGE. This three-fourths is three-fourths of the average for the last 15 years?

Mr. WARREN. The average was 913 pounds in 1901.

Senator PAGE. You say there is one chance in 20 that our grain next year will be less than three-fourths in the aggregate what it has averaged for the last year?

Mr. WARREN. Yes, in 1917.

Senator PAGE. Three-fourths of 1917?

Mr. WARREN. Yes; the actual figure in 1901 is 913.

Senator RANDELL. Doctor, I may be a little obtuse, but I do not quite understand how you arrive at your percentages there.

Mr. WARREN. The total production of grain in 1901 per acre was 913 pounds. In 1917 it was 1,259 pounds.

Senator RANDELL. By "grain" what do you mean? What constituted that term?

Mr. WARREN. This is the total acres planted in the six grains, divided into the total pounds of the six grains.

Senator RANSELL. What six grains?

Mr. WARREN. Corn, oats, wheat, barley, rye, and buckwheat—the total pounds produced in the entire United States divided by the total acres.

There have been 10 years in the last 20 when the yield per acre was 6 per cent below what it was in the past year.

There have been 5 years in the last 20 when it has been as good as it was in the last year. We have just 5 chances out of 20 that next year the crop will be as good as it was the past year; and we have 4 chances out of 20 of having it better; that is, so far as the weather affects the situation.

This is for grains in general, which makes our total food supply, because our meat and everything else is practically settled by that.

The CHAIRMAN. You mean grain lies at the foundation of meat?

Mr. WARREN. Largely; and if we have a poor grain crop we have poor crops in general and poor hay and pastures in general, so that almost the whole thing is poor, except that we have our reserve supplies of meat and grain from previous crops, the animals, of course, always being a reserve food supply.

Take a single one of these grains—wheat—in the United States for the 10 years. From 1910 to 1914 we averaged planting, according to the figures which I have worked out from the Government reports, 53,000,000 acres. On the average we harvested 49,000,000, and on the average we raised 728,000,000 bushels for the five years' average. In 1915 we planted 61,000,000 acres, harvested 60,000,000. We had a good year; planted heavily, and it being a good year, very little of it failed, so we harvested a large crop. The acreage the farmers planted might have been expected to yield according to the previous experience, 838,000,000 bushels, but it did yield 1,026,000,000. In other words, the farmers' plantings, based on an expectation of 838,000,000 bushels, produced 1,026,000,000.

In 1916 they planted 57,000,000 acres. Based on past experience, they ought to have got 738,000,000 bushels; they did get 640,000,000.

For the year just past they planted 60,000,000 acres and harvested 46,000,000. So far as the farmers knew, they planted for 824,000,000 bushels of wheat for the last year; they got 651,000,000, or more than 20 per cent less; that is, we may plant for a billion bushels of wheat and get less than 800,000,000; we may plant for 800,000,000 and get a billion. This shows the margin of fluctuation, due to the weather.

Another factor in the situation at present is that the reserves are very low.

Senator KENDRICK. Doctor, may I ask a question before you go from that grain?

Mr. WARREN. Yes.

Senator KENDRICK. What, if any, of the reports as to the winter wheat crop have you at this time?

Mr. WARREN. As to the outlook for the winter wheat crop, there are no reports except the December report made by the Department of Agriculture, and no one knows anything about it since, except that we know in New York State from the State census of acreage.

Senator KENDRICK. I would not have you go into it in detail.

Mr. WARREN. The condition on December 1, as reported by the Department of Agriculture, was the poorest in many years. I have

that here, if you care to go into it. It is given in the December Crop Report.

The CHAIRMAN. I think it would be well to put it into your statement, if you do not give it now.

Mr. WARREN. I will read that right here. This is from the December Crop Report, as I said. The winter wheat condition on December 1, as they report, was 79.3 per cent of normal, as compared with 89.3 as the 10-year average. In other words, if the average condition is 89, the present condition is 79. The lowest condition reported in previous years was 81.4, in 1895; in other words, on December 1 the condition of winter wheat was the worst we have had reported. And from that the forecasted production was 540,000,000 bushels. In other words, it is the poorest condition we have had for years.

Senator PAGE. You made the remark that you had a letter or statement as to New York State?

Mr. WARREN. Yes.

Senator PAGE. How does that compare with the statement as to the whole country December 1?

Mr. WARREN. We do not have the statement as to the condition in New York. We have the acreage. The acreage is less than the estimated acreage by the Bureau of Crop Estimates for our own State.

The CHAIRMAN. What are the figures?

Mr. WARREN. The acreage estimate on December 1 for New York State was that we had sown in New York 512,000 acres of winter wheat. The State census, which is not quite completed, although the reports are in for 90 per cent of the area, shows that we had for this 90 per cent of the area 328,000 acres; or, when the census is completed, as it will be very shortly, when a few late reports come in, I expect it will show 361,000 instead of 512,000.

Senator RANDELL. That is not a very flattering showing for wheat. But what have you there for any of the other grains? You have not anything for corn—it is too early for that; but there might be oats, rye, and barley.

Mr. WARREN. We have the proposed acreage on every crop. I have that here a little further along.

Senator RANDELL. I will not interrupt you.

The CHAIRMAN. I have felt some doubt as to the statistics issued by one of the departments. It did not correspond with what is known as to Oklahoma, and the 1916 and 1917 figures were exactly the same.

Mr. WARREN. One reason at the present moment why we are not fully appreciating the effect of weather is that in 1915 we held over in this country an enormous amount of grain, which pieced out 1916. We will have no such hold over this year; at least, that is my opinion. There are no figures available as yet, but I think that is a reasonable expectation. As a matter of fact, there were on farms, of all grains, 99,000,000,000 pounds on March 1, 1916.

Senator PAGE. Of all grains?

Mr. WARREN. Of all grains. And the visible supply was 7,000,000,000. The next year there were on farms 64,000,000,000, and the visible supply was 6,000,000,000, which, I believe, is 36,000,000,000

difference. In other words, we had reduced our reserves by 36,000,000,000 to piece out the crop of 1916.

Senator PAGE. Practically two-thirds?

Mr. WARREN. By 36,000,000,000. The crop of 1916 was 235,000,000,000. Instead of living on 235,000,000,000, we lived on 235,000,000,000 which we raised plus 36,000,000,000 which we took out of the storehouse; in other words, we disposed of 271,000,000,000.

In the year ending March 1, 1917, we disposed of more grain than was ever produced except in the exceedingly good years of 1912 and 1915 and the estimated production of 1917.

In 10 of the last 20 years we have produced less than 84 per cent of what we disposed of in that calendar year ending March 1, 1917.

Senator WADSWORTH. In other words, we sold our entire reserve?

Mr. WARREN. We had a poor year, but adding to it what we held over in reserve and eating up our reserve, we actually disposed of it. There have been 10 years in the last 20 when we produced less than 84 per cent of what we disposed of. In other words, we have half a chance of getting 84 per cent of what we disposed of that year, guessing on the weather.

Senator RANDELL. And you say all of our reserve is gone?

Mr. WARREN. There was a reserve March 1, 1917, but we had reduced our surplus. I am guessing that the reserves on March 1 this year are not going to show any great reaccumulation; that we are going to start next year with a reserve nearly as low as we had last March. We may have more corn and more oats. We will partly have reestablished our reserve. One man's guess is as good as another's on that. There will be figures available before long.

Senator KENDRICK. Is it not true that a large part of the corn we have is of an unmarketable character?

Mr. WARREN. Yes. I have a statement on that, too.

The CHAIRMAN. It is not only unmarketable, but hard to keep. It will begin to heat in a few weeks.

Mr. WARREN. The other factor is labor. In New York State we have taken a census of agriculture. The State food commission, in cooperation with the schools took a census of agriculture last April and again the 1st of February. This is published in each county, together with sales lists, which enable farmers to get their seeds, etc., from their neighbors. We found last April that the number of hired men on farms was 15 per cent less than it was on the same date in 1916. We found in February that the number of hired men had again decreased 15 per cent.

The CHAIRMAN. You found that this year?

Mr. WARREN. Yes.

The CHAIRMAN. On what date this year?

Mr. WARREN. Last April there were 15 per cent fewer hired men on the farms than the April before. In February we found they were still decreasing and there were 15 per cent fewer than there were the year before.

Senator KENDRICK. Do your statistics show that any other kind of labor has taken the place of the hired man?

Mr. WARREN. We have 3,000 tractors and 500,000 horses.

Senator KENDRICK. I mean have you a record of the labor on the farms, Doctor?

Mr. WARREN. Yes; we have records of that. The number of workers, including men and women, is 8,000 less than it was last year at this time, which is about the rate of decrease in the number of hired men.

Senator KENDRICK. My question is as to whether or not any other labor is taking the place of the hired men.

Mr. WARREN. No.

Senator KENDRICK. In France the women have taken the places of the men altogether.

Mr. WARREN. That would not be possible on American farms with machine methods and the necessity for apprenticeship. European farming is so simple that an inexperienced person can work at it, just as he can work at truck growing in this country. In much of our truck growing you can have inexperienced persons come out and work, but you can not take the inexperienced person out and put him in charge of machinery. The scythe, for instance, which is used in France is a heavier one than we use, and an inexperienced person can not break it and can learn to use it. But the mowing machine is different.

We would immediately get down to the European basis if we took up the woman-labor proposition. We produce per worker in this country from two to four times as much as the different European countries produce per worker. If we reduced our production per worker to their basis, we could use the women as they use them. To a limited extent women are working now. Our farm women are working harder than ever, and we have evidence that they have taken up the loss of some of the men who have gone to the Army.

Senator RANDELL. Can not women drive tractors and gang plows and things of that kind, and plow and harrow the land?

Mr. WARREN. Some of them do; but they must have training. Farm women are doing it right along; but, you see, there is not only the loss of the hired men, there is the loss of the farmers' sons.

Senator RANDELL. The most highly skilled labor on the farms is the kind that has been taken to the Army, is it not?

Mr. WARREN. Yes. The women are doing some work, the children are doing some work, but the number of hired men has decreased, and likewise the number of farmers' sons has decreased, and the extra work of the women and children has just about made up the loss of the sons, and the net loss is the hired men.

Senator GRONNA. The new methods of farming really require what we call skilled labor, do they not?

Mr. WARREN. It takes three years to make a good farm hand. If it is a matter of picking apples, picking up potatoes, or emergency work in haying or shocking wheat, we can get along with a poor man; but it takes three years to make a good hand. To make a good year-round hand—the kind of hand that can stay on the farm and work through the whole year—takes three years.

Senator GRONNA. If you take the kind of machinery that the farm hands have to handle in our western country to-day, it requires longer than that. I do not want to take your time, but I should like to offer just one little illustration. I have a neighbor that farms 30 quarters of land. He has two boys that were raised on the farm. To look at them you would think they were just ordinary green farm boys,

and yet those boys take a forge with them out in the field, and if a shaft breaks it is welded right there. That is one illustration of the new method of farming. Those boys not only understand gas and steam, but they understand blacksmithing; they go to the agricultural college every winter, of course, to learn some of these things, but, together with that, they have the actual experience.

In my country we must have skilled labor to farm. I am on the western prairies, Doctor—North Dakota—and, while we can use the ordinary labor that you referred to a moment ago in shocking and thrashing, yet one man that is brought up on the farm is worth a dozen of these men that come from the cities or places where they are not used to farm work. It is so difficult to get people to realize that.

(Thereupon, at 11.55 o'clock a. m., the committee adjourned, to meet at 10.30 o'clock a. m. to-morrow, Tuesday, March 5, 1918.)

INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

TUESDAY, MARCH 5, 1918.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10.30 o'clock a. m., in the committee room, No. 326 Senate Office Building, Senator Thomas P. Gore presiding.

Present: Senators Gore (chairman), Ransdell, Page, Gronna, Norris, Kenyon, and Wadsworth.

The CHAIRMAN. Dr. Warren, you may resume and proceed in your own way.

STATEMENT OF MR. G. F. WARREN, PROFESSOR OF FARM MANAGEMENT, CORNELL UNIVERSITY, ITHACA, N. Y.—Resumed.

MR. WARREN. Mr. Chairman, I made yesterday a statement with regard to weather, and I am not sure that I made it quite clear. Based on our past experience, the probabilities for next year are that we will get 94 per cent of the total grain that we got last year; not 75 per cent, as I noticed in the morning papers. Once in 20 years we do get three-quarters, but the most probable is 94 per cent. The most hopeful prospect is four chances out of twenty of doing better this year than we did last year.

I was also giving yesterday some figures relative to labor in New York State, and I said that the results of our State census showed a decrease of 15 per cent in the number of hired men in April, 1917, as compared with 1916. February 1 we had a further decrease of 15 per cent as compared with April, 1917.

Senator WADSWORTH. That is a net loss of not quite 30 per cent in two years?

MR. WARREN. Yes. It is not quite two years. The periods overlap.

In our census last year we asked the question: "How many of your sons are now working at labor other than farm labor?" Two hundred thousand farmers in the State, roughly, stated that a total of 46,367 of their sons were working at labor other than farm labor. Of course, many of the farmers are too young to have sons.

The CHAIRMAN. What is the total number of farmers in the State?

MR. WARREN. Two hundred thousand. This was a year ago. At that time 46,367 sons of farm operators in New York State were working at other than farm labor, showing that there is an enormous amount of skilled farm labor not engaged in agriculture.

Senator KENYON. How many sons are there of farm-working age?

MR. WARREN. We have figures as to that, but I have not them with me. I should say it is about half. That is, as nearly as I can deter-

mine in New York State, speaking roughly, in each generation one son goes to the city and one stays at home.

At the present time the report on farm labor is incomplete. Only 90 per cent of the area has reported; several county reports are yet to come in. The percentage will probably not be changed much, although the actual figures probably will be.

In the area covered by our reports we find that 3,772 men have enlisted from the farms. A question as to the number that would not be available because of the draft elicited the answer of 11,427, which is undoubtedly too high. The question involved an estimate by the farmers as to the number that would be available, and as many draft petitions were still up they had to guess as to whether or not men who are now being considered would be taken. We find that figure is too high.

During the past year 19,459 persons have left the farms for work other than farm labor. That is in New York State for the year ending February 1. The census also shows that 13,327 have returned to the farms from work other than farm labor.

Senator KENYON. Does that include the drafted men?

Mr. WARREN. No; this refers to men who went to industry. Nineteen thousand went to the industries and 13,000 have come back to the farms from the cities. There is always a drift in both directions. At the present time there is a net loss of over 6,000 to industry. More men have gone to industries than have returned to the farms.

On February 1 there was less than one hired man for four farms. There will be more in the spring, of course. In the latter part of April of last year, right in the spring work, there was considerably less than one hired man for every two farms.

Senator RANSDELL. Would you mind defining what you mean by a "farm"?

Mr. WARREN. A farm, as we have defined it in this census, is any place of 3 acres or more on which agricultural work is conducted, or even a smaller place, if it takes the full time of a person, like a greenhouse, for instance.

Senator RANSDELL. Would there be any maximum limit in the number of acres?

Mr. WARREN. No.

Senator RANSDELL. It might be 10,000 acres?

Mr. WARREN. Yes; but, as a matter of fact, there are very few large farms in the State. The number of farms of more than 500 acres is limited.

Senator RANSDELL. Your figures are for New York?

Mr. WARREN. Yes, sir; for New York.

As nearly as I can estimate, New York State has now on its farms not over 90 per cent and not less than 85 per cent of the man power it had two years ago.

Senator KENYON. Will you kindly repeat that statement?

Mr. WARREN. As nearly as I can estimate from these figures we have not more than 90 per cent and not less than 85 per cent of the man power we had on our farms two years ago. My estimate is we have close to 90 per cent of the man power we had, a loss of 10 per cent or a little more; that is, counting the sons and all—the complete man power.

We have asked the farmers about the probable planting of every crop. "How many acres of corn did you plant last year?" "How many acres do you intend to plant this year?" The present estimate for all crops is 87 per cent of last year's planting.

The CHAIRMAN. All told?

Mr. WARREN. All told.

Senator WADSWORTH. Of all crops?

Mr. WARREN. All crops.

Senator WADSWORTH. That means, then, more meadow and pasture?

Mr. WARREN. Yes; and more idle land.

Senator KENYON. Do you think there will be idle land?

Mr. WARREN. Yes; there was idle land last year. We have statistics as to how much. That was one of the questions. We have the number of acres planted. Of the available land in 1917 there was idle or fallow 457,000 acres. Some of that may have been fitted for crops and not planted.

The CHAIRMAN. Out of a total of what?

Mr. WARREN. The total in crops harvested was 7,364,000, so this is a total of, roughly, 5 out of 74.

Senator KENYON. There will be more this year, you say?

Mr. WARREN. That is the expectation, but that depends somewhat on the weather. Part of this idle land is land that will be overflowed by streams, etc.. We also have in New York State a considerable amount of land that is marginal land; it will pay to farm it when farming pays well enough, and if it does not pay well enough, it will not. Then we also had last year land on which crops were planted but were not harvested, on account of crop failures—191,000 acres. Of lands on which crops were raised but not harvested there were 106,000 acres.

Senator KENYON. Why not?

Mr. WARREN. That was due to the combination of the shortage of labor and bad weather.

Senator KENYON. How much of that was due to the shortage of labor?

Mr. WARREN. You can attribute it all to either labor or weather. Had the weather been very favorable most of it would have been harvested. Had we had an adequate supply of labor most of it would have been harvested. We did not have an adequate supply of labor for the kind of weather we had. A considerable amount of that was hay, and a good many potatoes were frozen in the ground.

Senator WADSWORTH. And beans.

Mr. WARREN. A great many beans; yes, sir. I think we will plant this year more than 87 per cent of last year's, but the 87 per cent is the estimate made by farmers.

The CHAIRMAN. That will mean a production of how many acres?

Mr. WARREN. We had, roughly, 8,000,000 acres in crops, and the reduction of 10 per cent would be 800,000 acres. My estimate, however, is that we may get in better than that.

Now, I have a statement of the corn situation, which may be of interest. The interpretation of the figures as to the corn crop for this past year has been generally quite erroneous. The Bureau of Crop Estimates estimated that there were 3,159,000,000 bushels of corn

grown, but in the same report that makes this estimate they also say that 18 per cent of this was frosted in the dough stage, as compared with 4 per cent in an ordinary year, and that 11 per cent was frosted in the milk stage, as compared with 1 per cent in an ordinary year. If that is the case, it is perfectly clear that the figures should be discounted. Unfortunately in all our newspapers, and apparently in general public opinion, the original figures have been quoted and have not been discounted for the conditions. We have not in this country anything like the amount of corn that these figures would indicate. In fact, the report itself shows this. This is more a criticism of the way it was given publicity than of the report itself. Instead of an enormous corn crop we had a poor to ordinary corn crop.

I have corresponded with my brothers, who are farming in the West, and a number of men whose judgment I believe is reliable in Nebraska, Kansas, Missouri, Iowa, Illinois, and Indiana, and have just received letters from them since I arrived here. With but one exception—Kansas—they state that there is a large amount of soft corn that is in all probability going to rot.

The CHAIRMAN. I was talking the other day with a representative of the Agricultural Department, and he told me that north of a line drawn through central Missouri 50 per cent of the corn was soft, as compared with an average of 4 per cent.

Senator RANSDELL. Doctor, what do you say is the comparative food value of that soft corn, as compared with ordinary hard corn?

Mr. WARREN. A good deal of it contains from 35 to 40 per cent water; good corn ought not to have over 13 to 17. Right there we can discount it, you see, roughly 15 per cent. And then the quality of the dry matter in it is not as good, so it will be possibly only 75 per cent as valuable. A good deal of the soft corn is not 75 per cent as valuable as good corn; it is all the way from that to nothing.

Senator RANSDELL. Would it average more than 50 per cent as valuable, would you say?

Mr. WARREN. Of course, it depends on what you mean by soft corn. I would say that what the Iowa farmer would call soft corn, if it would keep over the summer, would average somewhere over two-thirds as valuable.

Senator RANSDELL. As I understood your figures, the total yield was 3,159,000,000 bushels?

Mr. WARREN. Yes.

Senator RANSDELL. With about 18 per cent of soft corn?

Mr. WARREN. Eighteen per cent of this was killed by frost in the dough stage, as compared with 4 per cent in an ordinary year, and 11 per cent was killed in the milk stage, as compared with 1 per cent in an ordinary year. Unfortunately we do not know whether the farmers included any of that in the milk stage in their report or not. I doubt that they called it corn; that is a question.

Senator RANSDELL. In round numbers, how many million bushels would you say ought to be deducted from this total of 3,159,000,000 bushels for that deficiency? I just want to get something concrete.

Mr. WARREN. I should say that 10 per cent would be very conservative.

Senator RANSDELL. A little over 300,000,000?

Mr. WARREN. I should say that would be a very conservative deduction. Then something further would need to be deducted, on account of the fact that a good deal of this is going to spoil. I have a letter from my brother, at Trumbull, Clay County, Nebr., a small country village, saying that the elevators were all full, that they could not ship, and the farmers wished to sell and could not do so.

Senator RANSDELL. So it would probably be fair to deduct between 400,000,000 and 500,000,000 bushels from this total estimate of 3,159,000,000 bushels, would it not?

Mr. WARREN. Yes. Of course, it is very difficult to make a judicial estimate of that, but I think so.

Another situation which we need to consider is the seed corn. I have no solution of that to offer. The question is whether there is enough seed corn in this country to plant this year, particularly in the region from central Iowa and central Illinois north. In New York State we find that corn men who have farmed for 50 years and have never failed on their seed corn say that their corn fails to germinate.

Senator KENYON. Do you have a system for testing your seed corn?

Mr. WARREN. We are testing it now through the farm bureau system and the schools. This census includes every item the farmer has for sale, and the list that we send out gives his name and address, the variety of seed, etc. That list is published so the other farmers can buy. If a farmer has a cow for sale, his name is listed, his address, etc.

The CHAIRMAN. Dr. Warren, would you mind attaching to your statement, when you revise it, a copy of your questionnaire?

Mr. WARREN. I can send it to you; I haven't it here.

As to the wheat situation next year, of course no one knows what that will be; the weather alone will determine that. The December crop estimate is that there would be 540,000,000 bushels of winter wheat. If we get as much spring wheat as we have got on the average for the last five years, it would be 238,000,000 bushels. Or if we assume an average planting and an average year and that winter wheat continues as it looks, then we could expect 778,000,000 bushels next year, which would be the most probable crop, plus or minus about 20 per cent due to weather. I think that is the outlook—about 778,000,000 bushels, plus 20 per cent if it is the best year ever, and minus a little more than 20 per cent if it is as bad as last year. In other words, if the year is as bad as last year we will be worse off than last year, and we must also remember the fact that the present condition of winter wheat is bad.

The CHAIRMAN. Extremely bad in my State.

Mr. WARREN. I would like also to call attention to the effect of prices on production. It is a principle as well established as the law of gravitation that high prices stimulate production and lessen consumption, while low prices lessen production and stimulate consumption.

The CHAIRMAN. Would you venture to suggest that that law has any application in time of war?

Mr. WARREN. I think we can no more change the law of supply and demand by any power that man has than we can change the tides. We can dam back the water, but we can not stop the tides.

As a definite illustration of that, I have here the Agricultural Department's estimates of the acreage of winter wheat and winter rye planted each successive year.

The CHAIRMAN. What is that in?

Mr. WARREN. This is a reprint of the proceedings of the American Farm Management Association. These figures, of course, are merely taken from the Department of Agriculture's figures. You will notice that our winter-wheat acreage is practically the same as in 1914.

The CHAIRMAN. What is the variation, Doctor?

Mr. WARREN. It is 42,012,000 acres as compared with 42,170,000 acres—so small a difference that it is much less than the error of the figures themselves. In other words, the winter wheat acreage is essentially the same as in 1914. The 1914 acreage was a material increase over 1913, in anticipation of war prices. The high prices did not come, because in 1915, the following year, we got that extra good yield of wheat. Since the high prices did not come, the acreage dropped. The prices then came up a little, and the acreage came up a little.

In the case of rye, we had a striking difference. Wheat has only gotten back to where it was three years ago, but rye three years ago was 3,000,000 acres and now it is 6,000,000 acres. There may be, of course, many explanations of that. A probable explanation is that the price of rye was left to the law of supply and demand, and the price of wheat was fixed at a figure which did not look to the farmers as optimistic as the price of rye.

We have further evidence that the law of supply and demand is still acting. From Bradstreet's, a commercial magazine, I have drawn off the average prices of many commodities for five years preceding the war and compared them with prices on February 1, 1918—

The CHAIRMAN. Do you mean preceding the outbreak of the war, or our entry into the war?

Mr. WARREN. Preceding the outbreak of the war itself. I have taken the figures for the five years on the date nearest to February 1. For instance, on Minnesota patent flour the increase in price on February 1 this year as compared with the average for five years ending 1914, was 110 per cent. The No. 2 red winter wheat shows an increase of 106 per cent. Corn, No. 2, mixed, shows an increase of 178 per cent. This list includes cottonseed oil, petroleum, sugar, iron, steel, wool, cloth, etc. Without going into great detail I can say that in the entire list the lowest of all these is cheese, which shows an increase of 51 per cent. The next lowest in the entire list is butter, which shows an increase of 62 per cent. Our State census now shows that the number of heifer calves under one year old in New York State is 31 per cent of what it was a year ago, which is the largest decrease we have in any class of live stock—a direct reaction.

Senator WADSWORTH. In other words, Professor, the article that increased in value the least of all was accompanied by the largest decrease of the corresponding raw material?

Mr. WARREN. Yes; a fundamental principle which can not be overcome by any statutory action of mankind or any other action of mankind.

The CHAIRMAN. I am glad to hear you say that.

Mr. WARREN. This does not necessarily mean that cows have decreased. Cows did decrease slightly, and as there were a lot of heifers about two years old they should have increased, so the decrease was in effect a bigger one. But we do not get the effects of these things immediately. The beef price of cattle is much less than the dairy value and the farmer could not afford at all to raise dairy cattle for the beef price. So if he sells a cow he has abandoned, perhaps, a third of the capital invested in his plant. He is slow to do that, but he stops building new plants; he stops raising heifer calves.

Senator RANDSELL. You are still speaking of New York?

Mr. WARREN. Yes.

Senator KENYON. Do your dairymen make butter pretty generally, or do they sell to creameries?

Mr. WARREN. Probably over half of our product goes to the city.

Senator KENYON. What is the increase in the price of milk that the farmer secures?

Mr. WARREN. It brings it up higher, but taking the entire combination it still leaves milk and all its relatives in a low class. Milk is up 93 per cent. In other words, we are not getting the full effect of the low prices of cheese and butter, but the combined effect of all three products. We have not yet gotten the full effect of this price of cheese.

Senator KENYON. In how long a period of time is that? A year?

Mr. WARREN. No, this is the price on a particular day as compared with the same days for five years before. When I compare them all each month the general drift is quite similar.

The CHAIRMAN. You mean you take the price on the 1st of February on each of the five years, and average that?

Mr. WARREN. Yes. The next lowest increase in price in New York State is eggs and poultry, and our farmers have decreased their hens since last April 18 per cent.

Senator WADSWORTH. They are not allowed to decrease them now?

Mr. WARREN. I think not. They have not decreased them in the last month, except to the extent that they have eaten them.

Senator WADSWORTH. Does that indicate a desperate design on the part of somebody to stop that decrease?

Mr. WARREN. I do not know what it indicates.

The CHAIRMAN. Somebody suggested that they were breaking the price of eggs so they could fill the cold storage plants with cheap eggs.

Mr. WARREN. I do not know what it indicates. Of course at this time of the year the farmers do not sell any poultry except poor hens. In fact, farmers as a class know how to farm. Some individuals may not, but farmers as a class know when to sell a cow and when to sell a hen, and as a class they do not sell hens or cows when it pays to keep them. They know how to select stock.

The CHAIRMAN. An arbitrary interference with the selling of a product is the same in principle as trying to fix a price where it ought not to be?

Mr. WARREN. Further, to show how this is working, the single product that has increased most in price is beans. As a result you would

expect the greatest increase in acreage, if you did not know that we had had diseases which nearly annihilated the bean industry, so they are going to cut the bean acreage down in spite of the increase in price.

The next greatest increase in price is in corn. Our farmers propose to increase the acreage of corn by the greatest increase of any crop. And so throughout the list. For canning factory crops, the contract prices were not in proportion to the prices of other crops, and they are cutting the acreage down very materially.

Senator KENYON. Do you think it is possible to fix a price on corn?

Mr. WARREN. We could, of course, fix a price on any product.

Senator KENYON. In the first place, does not most of the corn move only within the county lines?

Mr. WARREN. A large part of the corn is fed right on the farm, or sold to a neighboring farm. Fixing the price of corn might take all the corn off the market.

Senator KENYON. I have heard experts claim that 80 per cent of the corn did not go beyond the county lines.

Mr. WARREN. I think the figure is higher than that; that is given by the Department of Agriculture.

The CHAIRMAN. Doctor, if they fix the price of corn too low, the farmers would plant something else on which the price was not fixed?

Mr. WARREN. Certainly. Furthermore, in the case of corn if you fixed the price, since the part sold bears such a small ratio to the part fed, it might take up the slack, and in that case we might increase the feeding still more and have none sold.

The CHAIRMAN. And if it had the effect of stopping it from moving, it would seriously react on the feeding of live stock?

Mr. WARREN. Certainly.

Senator KENYON. The low price of corn and the fixed price of wheat have resulted, we have been told here, in the feeding of wheat to hogs in various parts of the country.

Mr. WARREN. Wheat is undoubtedly fed in New York more than normally.

Senator KENYON. Is wheat fed in New York to hogs?

Mr. WARREN. Mostly to poultry; we do not have a large number of hogs compared with Iowa.

Senator WADSWORTH. And lambs?

Mr. WARREN. And lambs; yes.

Senator WADSWORTH. I know of cases myself.

Senator KENYON. They feed wheat to poultry instead of corn?

Mr. WARREN. Yes; we normally feed wheat to poultry. Ordinarily some corn is purchased, and some wheat is grown or purchased for poultry, and under the present circumstances the ratio of wheat fed is unquestionably higher.

The CHAIRMAN. Have you made any estimate as to the relative feeding value of wheat and corn? I understand that for growing stock perhaps wheat is the best, and for fattening purposes corn is the best.

Mr. WARREN. Wheat for our poultry will sell at any time for very much more per pound than corn. It is used regularly for egg pro-

duction, because the protein in the wheat is what we want in the eggs. For feeding hogs I am unable to answer definitely, but my impression is that a pound of wheat will generally sell for as much as a pound of corn for feeding hogs. But for feeding poultry wheat is worth much more than corn. In fact, in ordinary circumstances, the poultry people compete with the mills in buying wheat.

Senator WADSWORTH. Just to interject an observation there, experience has shown in the case of farmers in my neighborhood that feeding wheat to lambs is most successful, so far as fattening the lambs is concerned, as compared with any other grain. And they are doing it, because they can not buy the other grain with the money they get for wheat.

Mr. WARREN (exhibiting a chart). Here is another illustration, if you will pardon my drawing, which I made rather hurriedly. The lower line represents the price of spring wheat on December 1, not in dollars but as compared on a percentage basis with the general price of all crops. The upper line shows the acres planted the following year, so the year given at the bottom is the date planted, and the price given is the price in the preceding December. This is the price on a percentage basis.

This shows that when the comparative price went up in December the comparative acreage went up the next spring. The next year the price in December went down, and the acreage went down. The next year the price went down further, and the following spring the acreage was reduced. The next year in December the price dropped again, and there is shown the acreage drop. The following year the price rose in December, and the next spring the acreage rose. Then the next year the price dropped, and the acreage dropped. The next year the price rose, and the acreage rose. In every case for seven years the acreage has gone up following a price that was high relative to other crops, and in every case the acreage has gone down following a relatively poor price. This year the price relative to other crops is down slightly as compared with 1916..

The CHAIRMAN. How much?

Mr. WARREN. Last year (December, 1916) the price as compared with other crops was 112, and this last December it was 108, a slight drop. My expectation would be that the acreage of spring wheat this year would be about the same as last; there will perhaps be a slight drop in acreage.

From the statistical division of the Food Administration we have the opposite illustration of how the law of supply and demand works in consumption. This publication [referring to a pamphlet] is entitled "Statistical Division, Information Service, United States Food Administration, Bulletin 711, February 7, 1918." I refer to pages 5 and 6. This shows that in 1917 there were milled, in round numbers, 39,297,961 barrels of flour. Out of that there were exported 8,249,100 barrels. The amount consumed, or which did not leave this country—it might have been in storage—was 31,000,000 barrels. That was last year, from the 1st of July to January 26. This year, from July to January 26, there were milled 40,727,622 barrels; exported, 9,445,800 barrels; 31,281,822 barrels milled but not exported since July. That is just a trifle more than the milling above the export for last year.

Whether we have more flour on hand than we had last year at this time I do not know. My impression is that we have materially less; but unless we have materially more flour on hand we have eaten flour as rapidly as we ate it last year. But last year we had at the beginning a lot of reserve wheat, so that we should have eaten faster last year, having more to eat. This year we have had, in addition, a very effective campaign for the saving of wheat, but in spite of the two factors which should have made for a greater consumption last year, the figures on the face of them would indicate we had a greater consumption this year. That shows that a low price stimulates consumption even in spite of efforts to control it.

I would like to make one or two suggestions relative to prices in relation to production. Last year the farmers planted 60,000,000 acres of wheat. They have harvested 46,000,000 acres. So far as I have seen, all the data and all the arguments as to the profits the farmers made on wheat were based on the cost of producing 46,000,000 acres, with no allowance for the planting of the 14,000,000 acres which were planted and abandoned, according to the reports of the Department of Agriculture. You will find in the Monthly Crop Report for May, 1917, page 38, of the entire area of winter wheat planted 31 per cent was abandoned, and in Nebraska 75 per cent was abandoned.

The wheat planted and abandoned because of bad weather must be paid for. That is, risk in production is an important factor. Stated another way, if a farmer receives an average price for his crop in an unfavorable year he actually fails to receive an average price. The normal expectation in an unfavorable year is a partial offset of the poor yield by a high price. If the farmer receives an average price—that is, a price that is the average of a series of years—for a poor crop, he has not received an average; he has received lower than an average. The present price of wheat is 83 per cent more than the price before the war for the acres planted; that is a very different thing from the acres harvested.

Senator WADSWORTH. Have you any figures showing what the average price is for the acres harvested?

Mr. WARREN. The average farm price of wheat, as compared with five years before the war began, for the entire United States shows an increase of 131 per cent. In other words, on the face of it the farmer has received an increase in price of 131 per cent; but if he is to be paid for the acres planted he has received 83 per cent more than the five-year average before the war. The actual farm price January 1, 1918, was \$2.02. Of course, the farmer does not receive \$2.02.

If the farmers receive the average cost of production, then about half of them produced at a loss. In other words, about half of them produce at a cost more than the average.

The CHAIRMAN. A price fixed to stimulate production ought to be above the average?

Mr. WARREN. Yes. Another principle which is fundamental is that the same price on a free market will get a greater acreage than the identical price when fixed by the Government.

Senator WADSWORTH. The element of distrust comes in there?

Mr. WARREN. First, because the farmer is afraid of Government control.

Second, because an irregular price made by the law of supply and demand operates so as to even up his income. If a farmer is to receive \$1,500 one year and \$500 the next year, he would prefer to even it up and receive \$1,000 each year. If he gets a fixed price for his wheat, he will receive a large income in a favorable year and an unusually poor income in a poor year; and we always prefer uniformity of income.

Third, prices that appear to us to be high at a given moment will be low, or may be low, when the crop is harvested, because of the further inflation of money or the lower purchasing power of the dollar, whichever way we wish to put it. Two dollars to-day for wheat does not look as good as \$2 did last summer. It is not as good in relative purchasing power. It will not pay as much on a binder, it will not buy as many overalls. The farmer sees this and compares a fixed price with probable prices of other products at harvest time.

To my mind, the whole question when we deal with prices is, How much do we wish? Whatever price we set we will get the production that the farmer estimates he can make at that price.

The CHAIRMAN. The action and reaction will be automatic.

Mr. WARREN. There is a great section of land, with which your chairman is certainly quite familiar—I grew up on the edge of it—a section of land that is from 200 to 400 miles wide, extending, roughly, from the Gulf of Mexico to the Canadian line, in which the risk factor in production is enormous. The farmer in the more favored parts of that section will get four crops in five years, and it varies all the way from that to one crop in five years. When he does get a crop he must receive pay for all the failures or he will not plant. That great marginal belt is in considerable measure our reserve in the wheat situation. We bring that land into cultivation with prices that look favorable, compared not with past history but compared with other things to-day.

In the same way all of our crops are competing with each other. There is a farmer who will raise wheat at a very low price. A neighbor will have land not so well adapted to wheat, but at a little higher price he will raise wheat on it. We are shifting that margin all the time.

If you will pardon me, I will make a statement that, it seems to me, sums up my ideas of the situation. The most effective thing that could be done to stimulate production is to have the Government definitely announce that it will allow the farmer to sell his products on a free market without price control.

If price control is to be continued, I believe we should first pay much higher prices for products the production of which we desire to have increased than competing products sell for.

Second, control prices in the open rather than through private agreements with dealers.

Third, give the farmers who produce the product a chance to be heard before prices are fixed.

Fourth, we should not boycott any product if we wish its production to be increased, unless the Government has previously guaranteed its price or otherwise assured the future supply.

Fifth, control distribution and consumption of all products for which prices are fixed; otherwise, I believe that the further we go the worse off we will be.

Of course, it is self-evident that if we wish to increase the production of an article we shall have to pay a price for it, not as good as for other products, but better. Private agreements in the control of prices have shaken the confidence of the farmers. They have given rise to all manner of rumors, many of which are utterly untrue but are believed because other rumors looking much like them were found on investigation to be true. So the public is in the attitude of believing anything. They believe that everything is being manipulated. Furthermore, when prices are controlled through private agreements with dealers the announcement of the fixed price comes to the farmer from the dealer, the very last person in the world who should speak to the farmer for the Government.

The CHAIRMAN. I have a letter in my pocket from a farmer complaining that the farmers knew nothing about this poultry order until the dealers informed them of it and after the dealers had had a chance to unload.

Mr. WARREN. The objection to boycotting any product is that if we stop its consumption we automatically stop its production, unless we have arranged for keeping up the production by some artificial means. If we stop consumption, we stop production. We can not save milk. The cow can not save it. We have to kill the cow unless the milk is consumed. It is also self-evident that if we lower prices below what they would normally be we must control consumption or run out of the product. My own forecast is, and has been all the fall and all the winter, that we will run out of wheat before the year is over.

I thank you, gentlemen.

The CHAIRMAN. Doctor, I want to ask you some questions. There are two things that would stimulate the production of wheat this year: First, it is essential to hold in wheat acres which have been sown to winter wheat and which promises a low yield?

Mr. WARREN. Yes.

The CHAIRMAN. To prevent their being turned under and planted to some more profitable crop. On the other hand, it is essential to stimulate an increased acreage of spring wheat. Are not those the two things that are necessary?

Mr. WARREN. Certainly.

The CHAIRMAN. Now, there was a drive made to have 47,000,000 acres of winter wheat sown. The drive did not succeed. It failed by 5,000,000 acres, and that 5,000,000 acres can only be obtained by spring sowing. Otherwise, the yield will be less than the basis on which that campaign was made—the estimated needs. Now, then, if the spring-wheat acreage remains the same and a lot of winter wheat is turned under and the land sown to crops that promise to be more profitable, that will still depress the yield below the estimate?

Mr. WARREN. We must expect that, unless we have an unusually favorable season.

The CHAIRMAN. Yes; which would be luck and not foresight?

Mr. WARREN. Yes.

Senator WADSWORTH. We have heard a good many times from the Food Administration that the only agricultural products on which

prices are absolutely fixed are wheat and sugar. Have you any idea that any other agricultural products are controlled just as effectively by indirection?

Mr. WARREN. Yes.

Senator WADSWORTH. What are they, and how is it done?

Mr. WARREN. In the case of canning-factory crops there is one definite instance at least. A canner in Niagara County, N. Y., had his plans made and posters up to contract with farmers for tomatoes at a given price. The day he was to make the contracts he received a telegram saying that he should not buy tomatoes at that price.

Senator WADSWORTH. From whom did the telegram come?

Mr. WARREN. It was signed "United States Food Administration."

Senator WADSWORTH. That canner, of course, is subject to license regulations?

Mr. WARREN. Yes; it is done by the licensing system. All things are possible under the licensing system.

Senator WADSWORTH. Go ahead, Professor.

Mr. WARREN. I have not a list of details to give, but I know the effect is to control prices.

Senator WADSWORTH. Then, since the Government is a very large purchaser itself, by far the largest single purchaser, it can control prices, can it not?

Mr. WARREN. Certainly.

Senator WADSWORTH. Is not that true also in the canning business? It buys an enormous amount of canned goods for the Army and Navy and the allies, and it fixes their prices?

Mr. WARREN. Yes. It is the largest buyer, and so large a buyer can control the price.

Senator WADSWORTH. And it is a buyer whose terms must be accepted by the seller?

Mr. WARREN. Yes.

The CHAIRMAN. Do you not think that has been applied to some extent to pork and beef products?

Mr. WARREN. It is very difficult to make any definite statement on that, but I am of the opinion that it has been applied to nearly all products; that is, it may be applied at any time to any of them. None is exempt.

The CHAIRMAN. I have had evidence direct from different sources so convincing that I have no doubt the farmers have been selling hogs at less than the corn was worth to fatten the hogs.

Senator WADSWORTH. Doctor, the packing plants are all under license?

Mr. WARREN. Yes.

Senator WADSWORTH. We have been informed through the public press that their whole business has been thrown open to the complete regulation of the Government, and it must be that the Government is regulating every profit they make on foodstuffs. In fact, they have announced it. Now, it is a curious thing that since that was done the prices of live stock on the hoof which is purchased by the packers have stood practically at a fixed level, with some minor exceptions.

Mr. WARREN. Yes. The quotations on corn have been practically constant day by day and month by month on the board of trade, and

they have been entirely out of ratio to cash corn on the same date, or even to futures for delivery on the same date. Of course, the power to compel sale also amounts to the same thing as the power to fix prices. To require that eggs shall be put on the market at a certain time is, in effect, to fix prices.

Senator WADSWORTH. We have had a good deal of testimony here, Professor, about the very severe prospective losses facing the lamb feeders of the mountain States. We feed quite a few lambs in New York State, though, of course, not on any such scale as they do out there. Do you know anything about the prospects of those lamb feeders?

Mr. WARREN. I do not. In the entire United States the price of lambs is not in ratio to the price of feeds. The price of beef is not in ratio to the price of feeds.

The CHAIRMAN. What about hogs and pork?

Mr. WARREN. Hogs are nearer.

Senator WADSWORTH. Hogs are a little nearer?

Mr. WARREN. Yes.

Senator WADSWORTH. And yet the price of hogs on the hoof has stood almost at a fixed level since the packing industry fell under the licensing system.

Mr. WARREN. We know that cold-storage eggs were taken out at a certain figure. This controlled the price of fresh eggs. Even the fixing of the profit that a man who places a product in cold storage may make, may react quite readily on the price, even though the price to the farmer was not fixed at all.

Senator WADSWORTH. And when the profit to the cold-storage dealer is fixed, from that time on the price to the farmer is practically fixed. It may not have been before that, but when his profits are fixed and the Government has power to say when the eggs shall be sold and in what quantity the inevitable result is to fix the price to the farmer.

Mr. WARREN. Yes. The fixing of a profit, if it is made highly profitable, might stimulate bidding so that they would pay too much. So far as I know, there is no provision for taking the risk off a man's shoulders if he should buy eggs and put them into storage and find later there was no market for eggs that would pay him. If his profits are limited too closely it would naturally not place him in the attitude of mind to bid very keenly with other cold-storage men for those eggs. He would wish to be sure to have the price low enough so that in no case would he have a loss. If he is assured that he can have only so much profit he then certainly is not in a position to take the risk of great loss, and therefore he will hold the price down or else not store.

The CHAIRMAN. Now, as to the food situation generally, Doctor, do you think it is encouraging and all that it should be, or should we take some steps, if possible, to mend the situation?

Mr. WARREN. So far as what mankind is doing is concerned, we are certainly starting the year with a very unfavorable outlook, and will be shorter of food than we have been, unless we have unusually favorable weather. That is, what we are doing and what we have done in the past has not increased production. Men are leaving the farms to work in the factories because it pays better. My own belief is that a

large part of the unfavorable situation is due to precisely what we have done.

Senator WADSWORTH. To what we have done arbitrarily?

Mr. WARREN. Yes.

The CHAIRMAN. Rather than what we have left undone?

Mr. WARREN. Yes.

The CHAIRMAN. I think you are correct in that.

Mr. WARREN. There is one other point. It seems to me that while the production for next year is not yet settled, there is doubt whether governmental action can now very decidedly affect the crops of next year. It is too late.

Senator WADSWORTH. Do you think something could be done to help the spring-wheat acreage?

Mr. WARREN. Yes; something could be done. Something could be done in this, that, and the other; but to increase the whole production means that some person who is now employed in work other than agriculture and who knows how to farm must be attracted back to the farm, and that takes time. I doubt if the public's mind is ready. I doubt if we are going to get anything material done in a large way.

The CHAIRMAN. You are speaking by and large as to the situation in the aggregate? That would not apply to the seeding of one crop in lieu of another?

Mr. WARREN. No. My judgment is, based on these comparative figures, that the acreage of spring wheat this year will be about normal. The acreage of barley will be high. The acreage of corn may be high, provided the seed is available. If we do not find enough seed corn, then it is going to be a very serious matter to plant things in place of it. Spring wheat would be one of the things to take the place of corn.

The CHAIRMAN. Doctor, if the spring wheat acreage is normal, how will you account for the increase in corn, rye, and barley? Where will the acreage come from—from land heretofore fallow?

Mr. WARREN. I doubt whether the total acreage of grain will be increased, on the whole. I should expect the acreage of corn to be increased at the expense of other crops to some extent if the seed is available. I should expect the acreage of barley to be increased in the spring wheat territory to some extent. My impression is, though, that the total acreage will not be increased over the normal, but that there will be a shift between them.

The CHAIRMAN. Limited largely by available acreage and available labor?

Mr. WARREN. And, in the case of corn, by available seed. The crop that promises to pay best under the circumstances will be raised.

The CHAIRMAN. If the price of corn were fixed, and fixed at from 30 to 40 per cent less than the wheat—

Mr. WARREN. Then we would get barley and oats.

Senator RANSDELL. Do you think there is any doubt about our being able to get the seed corn?

Mr. WARREN. It seems to me there is a very serious doubt in a large portion of the corn belt. It is going to be a very serious matter in New York, a State that normally has no trouble. We raise flint corn, and normally there is no trouble getting seed.

Senator RANDELL. Could you not get corn from the South?

Mr. WARREN. It will not ripen.

Senator WADSWORTH. We have a short season.

Mr. WARREN. We could sell many carloads of corn to ship West into the corn belt for seed if we could find it. They would even take our flint corn—Wisconsin would like to get it—because they can not get enough of the dent corns that will mature. You can not ship corn North any considerable distance and have it ripen.

Senator RANDELL. The situation is different from shipping it from the North to the South?

Mr. WARREN. Yes. The tendency throughout the corn belt is for the farmer to plant the corn that requires the longest possible season.

The CHAIRMAN. Doctor, we are very much obliged to you for your statement.

Mr. WARREN. I certainly appreciate the opportunity I have had of appearing before you and thank you for your kindness in hearing me.

(Thereupon, at 12.10 o'clock p. m., the committee adjourned to meet at 10.30 o'clock a. m., to-morrow, Wednesday, March 6, 1918.)

INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

WEDNESDAY, MARCH 6, 1917.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10.30 o'clock a. m., in the committee room, No. 326 Senate Office Building, Senator Thomas F. Gore presiding.

Present: Senators Gore (chairman), Page, Gronna, Norris, Kenyon, and Wadsworth.

The CHAIRMAN. The committee will come to order. Mr. Reid, you may continue your statement.

STATEMENT OF MR. HANK REID, PUBLISHER OF THE SHEPHERD'S JOURNAL, CHICAGO, ILL.—Resumed.

Mr. REID. I appeared before the committee several days ago, but I yielded to Prof. Warren, of Cornell University, at the request of the chairman. At that time, briefly, I testified to the fact that, in my opinion and in the opinion of the farmers in our section of the country, the packers had absolute control of the meat situation and had so monopolized it that they also had control of most of the butchers.

Prof. Warren testified yesterday before the committee with regard to the law of supply and demand; and I had previously made the statement that the meat situation was pretty well controlled, regardless when there is no free market or real competition it is idle to theorize about the law of supply and demand.

Now, in the opinion of the sheep men of the country there is no free market. The law of supply and demand is being artificially evaded to-day, and the packers are, under Government license, in such shape that they can dictate just exactly what the prices are that the sheep men will get.

I made the point that the average sheep farmer to-day at the present market prices on feeder sheep is losing from \$1 to \$5 a head. And in reading over the previous testimony before this committee, with which I was not familiar when I made that statement, I discovered that there was a lot of testimony to that effect; and hence I will not, unless it is desired, go any further into that.

But in 1910, according to my figures, there were approximately 6,500,000 farmers in the United States, and of those, approximately 710,000 were in the business of sheep raising and wool growing. That was their principal source of occupation, their principal source of income.

To-day, on the wool proposition, if present prices are maintained, the man raising what I will roughly call the "wool sheep," so as not to be too technical, has a chance to get by; but the man who is raising a cross-breed sheep, in which mutton blood predominates, which is not in any sense a fine wool sheep, is dependent almost wholly on the mutton or meat value of the sheep for his money; and it is those cross-breed feeder sheep and lambs that the range people throughout the West have sold, and they sold them last fall all over the corn belt and all over the Eastern States at prices of about 16 cents. It is those people who are suffering the big losses.

The Food Administration and the Department of Agriculture and all the recognized agents of our Government and the farm papers and everyone else were urging the farmers last fall to raise more sheep—

Senator GRONNA (interposing). Do you mean that it is the men that bought the feeder sheep that are losing money; is that what you mean?

Mr. REID. Yes, fundamentally. A man that has owned ewes, and has bred them himself, and sells the wool from those ewes—if they are long-wool sheep—and sells the lambs that he himself has raised—if he is not buying his feed—is making a profit; but the farmers that buy feeders, who are the great majority of the sheepmen outside of the range country, are the farmers who are losing money. In some cases those sheepmen will get less for fattened sheep when they are brought into the stockyards than they paid for them when they were thin and poor, three to six months before.

Senator GRONNA. Well, ultimately, that condition will reflect itself upon the man who raises sheep also, will it not; because, if the feeder is "stung" once he is not apt to buy again; so that ultimately it will reflect on the prices of the sheep even to the raiser of the sheep. will it not?

Mr. REID. Yes, sir. Now, outside of the interests of these original 710,000 men who are dependent upon the sheep for a livelihood, we can probably add over a million general farmers in our eastern country who bought these feeder sheep.

The CHAIRMAN. How many?

Mr. REID. At least a million, I should say, Senator Gore. And those men, in most instances, have borrowed money from the banks. A large proportion of them are renters. I would say that 75 per cent of these sheep were purchased on borrowed money, for which the farmer, of course, had to put up his farm as security, or his notes if a renter. And this money was obtained from private sources, and not from the so-called Federal farm loan banks, which have not as yet proved workable in those matters. I do not care to go into that because I could testify for several weeks on that situation. But I will simply say that the Federal farm loan bank does not help in the situation.

At any rate, these men come into the market to-day—not to the packers' markets any more, but, if you please, to Government markets that are licensed and operated under the actual personal control of the President of the United States and of this Government. They are not now privately controlled; they are under or should be under just as much, if not more, supervision than our national

banks, or our nationally operated railways. And these stock farmers are to-day, according to the testimony that has been given before this committee, and according to what I know personally, and according to what is the common knowledge of all the farmers and all the people in the farming districts, are being robbed of from \$1 to \$5 per head.

Senator KENYON. On what—on sheep?

Mr. REID. On sheep. Now, Mr. Hoover admits that this is so—

Senator KENYON (interposing). You say he does admit it?

Mr. REID. He does; yes, sir.

Senator KENYON. In what does he admit it? In some writing addressed to you?

Mr. REID. No; he admits it is a terrible situation, and says he does not doubt that these farmers are losing from \$1 to \$5 a head. I will modify my statement; he does not admit that they are being robbed.

Senator KENYON. Yes; I understand.

Mr. REID. He says that they are losing their equities. And he says he thinks something should be done.

Senator PAGE. Will you at this point explain just why this is the case? The Government, of course, does not design to do an injury to the farmer. Why does Mr. Hoover, or why do those who are acting with him, or for him, or under him, permit this thing which you characterize as robbery?

Mr. REID. You ask why they allow it, Senator?

Senator PAGE. Yes.

Mr. REID. I do not know; the situation is incredible but it exists; that is one of the things I have come down here to find out.

Senator PAGE. Well, the question arises, is not the law of supply and demand having its regular operation and effect, without any of these harmful things to which you refer coming from the action of the Government?

Mr. REID. Absolutely not.

Senator KENYON. The law of supply and demand is not working anywhere, particularly, now, is it?

Mr. REID. No, sir.

Senator NORRIS. It has been repealed for the present.

Senator GRONNA. The law of supply and demand has been checked, through the instrumentalities of the Government, in the licensing system.

Mr. REID. No, sir; I do not think the law of supply and demand has anything to do with it at the present time. The packers are buying probably 99 per cent of the sheep in the country, and they are doing that under Government license; and there is no other place that the sheepmen can sell their sheep. And I think that possibly, from an economic standpoint, in war times, that might be the best way, unless the Government wanted to establish municipal abattoirs, which would take a lot of time and money and supervision.

Now, the point I am making about this Government license system is that prior to the war, or prior to the time this was talked about, the economic conditions were such that if the farmer got "stung," or got robbed, or lost his money—or any way you want to characterize it—he was doing that with a private concern—although lots of us

think the Government should have intervened before. But at the present time, farmers thought they were going to have protection from the Government. They had a right to think so; they have a right to demand that protection.

Senator KENYON. Do you not think the Government will have to take over the packing houses and the stockyards, and that we may as well face that condition first as last?

Mr. REID. I think it very likely.

Senator WADSWORTH. And fix the prices?

Mr. REID. And fix the prices.

Senator WADSWORTH. Would they do it in the same way that they fixed the wheat prices?

Mr. REID. I hope not.

Senator WADSWORTH. Then have you much faith in such a remedy for the present evils?

Mr. REID. Well, the whole question comes down to this: either we have a government or we are in a state of anarchy.

Senator KENYON. We have fixed the railroad prices pretty well, and we could follow some such basis as that.

Senator GRONNA. I think it is the view of everyone who has looked into the question that the price fixing on wheat has been not only a failure, but that it has really been the means of discouraging production; so that we are in a serious condition as to our supply of breadstuff. I think that everybody must admit that now.

Senator PAGE. And have you any hope, Senator Gronna, that if we were to take over the matter and make fixed prices for mutton, lamb; and wool, we would be in any better condition as to them than we are now with regard to wheat?

Senator GRONNA. With regard to the present Food Administration, I have not.

Senator KENYON. We would stop the robbing of the farmers at both ends of the thing.

Mr. REID. I would not like to be drawn into a discussion on wheat.

The CHAIRMAN. I do not know whether we would do that or not, because the elevator men that Senator Gronna has reference to used to handle wheat at 1 cent a bushel. Under this new system they were allowed 2 cents a bushel. That is an increase of 100 per cent on what they received; but, of course, it is more than 100 per cent on their profits, because there was some expense in the handling of it.

Senator KENYON. Well, of course, that is a fault of administration.

The CHAIRMAN. Yes; that is true.

Senator NORRIS. Well, does it not resolve itself down to this: That the administration is really controlling it now, and that the producers are being injured; and that if the Government should take it over under the same process we would get the same kind of treatment; and the fact is that the only remedy is a change of administration in this matter?

Mr. REID. I do not like to get into a political discussion.

Senator NORRIS. I do not want to get into a political discussion either.

Senator KENYON. But you do not mean a political change; you mean a change in the Food Administration?

Senator NORRIS. Yes.

Senator GRONNA. I will suggest to you, Senator Norris, that you read the statement of Mr. Simpson, of Oklahoma, who answered that question.

Senator NORRIS. I heard that statement.

Mr. REID. I will put it this way, if I can draw an analogy on this thing to make it clear: I have got to say something at this point about our President, and I do so with trepidation—not because I am afraid to criticize, but because I want to do something constructive.

Now, as far as we farm people—and I am one of the youngest publishers, possibly, of a farm paper in this country; I have been associated with farm papers and farm movements and agricultural movements of all kinds for a long time, and I have been in a lot of credit conferences and farm marketing conferences, and I have been in touch with Government officials; I went through this foot-and-mouth disease scandal in which, I think, the country lost completely any confidence it had had in the present head of the Department of Agriculture and never regained that confidence.

It would be rather a terrible thing if the country should wholly lose confidence in the Food Administration, and, as a result of lack of interference on the part of President Wilson, should lose confidence in the President.

I would state it as my personal opinion, and that of a majority of farm-paper editors in the United States, regardless of their politics, that President Wilson does not know that a state of agriculture exists. In other words, his "blind side" is farming and farmers and farm operations. Nothing that he has ever said or written or done in his life, either up to the time that he became President, or after that time, would lead any of us to think that he had any comprehensive knowledge, or even a sympathetic understanding, of farming and farm conditions.

I am trying very hard to be exact here and not to be in any way partisan. That being the case, and the fact being that we are in a state of war, and that France and England are in a famine condition, according to our own Food Administrator and our administration, and that we ourselves may get into that condition, not only from transportation problems the ills of which, or the weather, or the other factors need not be gone into now, but just the question of the lack of production by the farms of this country. Now, I do not want to go into the grain end of it, but live stock is the large end of farming. If our meat producers all through this country, and our producers of sheep, from whom comes clothing as well as meat, are going to continue to be systematically robbed, if they are going to lose, as they have in some instances, all the money that they have earned in many years of hard, bitter struggle, if their credit is to be impaired at the banks and their buying power diminished, their ability to hire farm labor in these very critical times—when labor is so high and so scarce—then the whole country and the allies also are facing very serious conditions.

I wish there was some way in which President Wilson could be made to see this to-day. If something is not done in the next two to four weeks, anything else that may be done this year (1918) will be absolutely useless. And if it is true—and President Wilson has said so, and it must be true—that we may lose the war from lack of food-

stuffs, why we are simply impoverishing about one-third of our farm population to-day to no good purpose.

Senator GRONNA. Is it not possible, Mr. Reid, that if we would not interfere with economic conditions but let the law of supply and demand apply the same now as they did before the war, that would do more to encourage production than anything we could do at this time?

Mr. REID. Well, that, Senator, would seem to be the substitution of the lesser of two bad situations. And we have gone so far in attempted regulation that that would be like marching our men up the hill and then marching them down again.

And if we have got into a bad fix, regardless of why we did so, we ought to do something constructive to get away from it. If it is necessary to seize and operate the packers' plants, the President ought to be willing to do it, and to do it at once. But from all the conversations I have had with Members of Congress, in both Senate and House, and with various Government officials, they claim that they have not any real control of the packers. And I have further heard that both Mr. Hoover and Secretary Houston would do a lot of things if the President would let them—if he understood the acute conditions.

If he does not understand these conditions, I can not see how the President of our country, who, after all, is elected to do what the majority of the people want him to do, can sit back and be oblivious of the fact that a large number of our people are being systematically plundered—or, if they are not being systematically plundered, they are systematically losing most of their savings. And it would seem that in this emergency, with the war conditions and the famine conditions, nothing would so engross the attention of the President and of his advisors—and I might also say of Congress—as the vital question of the production of food.

The CHAIRMAN. And time is of the very essence of the situation?

Mr. REID. Yes, sir; time is the very essence of it.

The CHAIRMAN. If you lose a month now you lose a year, do you not?

Mr. REID. If we lose a month we have lost a year; and if we have famine conditions here we have lost the war.

Senator GRONNA. Is it not the fact that production is of the greatest importance? These other things are only of secondary importance. Of course, it is bad to have to pay tremendously high prices; but it is not so much a question of high prices as it is a question of being able to get the food at all.

Mr. REID. The only way to produce it is not necessarily to guarantee it, but to get these farmers equity, to get these farmers fair prices. The best and quickest and most profitable way to increase farm crops or to increase any other products would be to see that the producers get a fair profit. You can talk patriotism until you get blue in the face—they did that last year, and they got a wonderful response; the farmers acted in a patriotic manner and they were ruined as a result; and now they will not do it again.

The CHAIRMAN (interposing). You can not ruin a man twice, can you?

Mr. REID. He can not do it twice; he has not got the money to do it. I will say this, that if the allied Governments and the starving

people over there were getting food at 40 to 60 per cent of the pre-war prices, and that was being taken out of our farmers, they would stand it. I think if you were to ask the farmer to give his all to the Government, he would do it—we all would. But we do not ask our President or our Senators or Representatives to come here to Washington and give everything to the Government and represent the Government without price. We do not ask a man to come here to Congress and give up every bit of his fortune and deny himself and stint his family as to necessities, education, etc., so that he may represent the Government without pay and just as a matter of patriotism.

The CHAIRMAN. That is, to be \$1-a-year men?

Mr. REID. Yet we are asking the farmers to do that, and nobody in the Government seems to care very much.

Senator GRONNA. Well, that same rule can be applied to labor.

The reason that I said it might be better to let the law of supply and demand control than to attempt to have the Government control was this: That it is possible to raise the wages of labor and in that way compensate them for the high prices that they have to pay for foodstuffs; but if production is cut off entirely, the country must starve.

The CHAIRMAN. I think it has been figured that 40 per cent of the average wage earner's wages go to the purchase of foodstuffs. Bread is the chief article of food; and a great many laborers in this country can now, with two days' wages, buy a barrel of flour. If he has five in family, it will take five barrels to run him a year, and at \$12 a barrel that would be \$60 a year that he would be paying for the chief article of food, when his wages would amount to about \$1,500 a year, as a great many of them do.

But I think there is one criticism that can very properly be made of the President's proclamation fixing a price of \$2 on wheat. He said that wages have been adjusted on that basis, and that they expected to get their bread on the basis of the prices he was fixing. But that goes on the theory that the farm laborers must bear part of the cost of this cut in prices in order to obviate the necessity of raising the wages in the towns.

Senator GRONNA. And that can not be done?

The CHAIRMAN. No; they can not get the laborers on the farms even now in competition with the prices paid to labor in the city. You may proceed, Mr. Reid.

Mr. REID. The point I was trying to make clear was, that if we knew that the Germans or any other hostile people were going to come over here and take all the profits and all the equities from 2,000,000 of our people, or if we had a section of our country overrun by any hostile forces that were impoverishing the great majority of our farmers, something very drastic would be done. But now we have this so-called Government control, which seems even less than perfunctory, and it could be made a real control. The President could, through his properly constituted authority, control the packers and see to it that the farmers got a fair return on the amount of money they had invested.

But more than that, the principal point that I started out to make was simply that all of this money that is being taken out of the pockets

of the farmers is not going to the consumers. The allied Governments are getting no benefit from it; the only people that are getting the benefit of it are the packers.

Senator GRONNA. Mr. Reid, complaints have been made before this committee that practically the packers are now being controlled by the Government; that is, they are told to buy certain things at certain prices. If that is true, how could we relieve the situation with reference to sheep any more than we have relieved it with reference to hogs? I think the members of the committee who are present will remember the testimony that we had a few days ago to the effect that the Government had virtually told the packers what to buy and what to pay for it, and that they are following those instructions.

Mr. REID. Well, if the packers are following the instructions of the Government, then——

Senator GRONNA (interposing). In reference to hogs, I would say.

Mr. REID. If that applies to control through the purchase by the Government for the allies, it is true that the Government has control, which their properly constituted officers deny.

Senator GRONNA. Well, they have control through their purchasing agents.

The CHAIRMAN. Who denies that?

Mr. REID. Well, Mr. Hoover says he has no control.

The CHAIRMAN. That is, in reference to mutton?

Mr. REID. Yes, sir; in reference to mutton.

The CHAIRMAN. Do you think it advisable for Congress to pass a bill giving the power over mutton that they now exercise over wheat?

Mr. REID. I do not think that is the way to do it, Mr. Chairman. The railroads, in one way, furnish an analogy, and in another way they do not. When the Government seized the railways they presumably swept away the Wall Street control, and the average railroad-operating man, the average division superintendent, or man of that kind is supposedly a good, patriotic citizen, and those men are efficient operating men and can be controlled by the Government so as to produce efficient transportation. You see, that is not a matter of intricate bookkeeping and complicated direction. If a carload of freight is to be moved from one place to another, you either get it or you do not.

But in the case of the packers, we have not a large force of Government inspectors there, except the meat inspectors of the Bureau of Animal Industry. We simply take the packers' statements of how they stand; we do not have Government superintendents down there, and we do not have any particular control, according to what the Food Administration claims. And control should be done. If we seized those plants and allowed the present packing people to operate them, with the same people that operate them now, that would not relieve the situation in the least, and after the war they would have an absolute monopoly, with Government consent.

Senator PAGE. Right there let me ask this: How can you account under your theory for the fact that the stock of the Swifts, which stood a few months ago at one hundred and fifty-odd dollars, is now down to one hundred and twenty-odd dollars. If they are making

such enormous profits—in fact, you have suggested or intimated that they are absorbing hundreds of millions, if not billions of dollars, by taking all the profit there is between the farmer and the consumer—how do you account for that decrease in the value of their stock?

Mr. REID. Well, I am not an authority on stocks; I do not even follow the stock market. I can not offer any particular explanation of that.

Senator NORRIS. Well, do you know in a general way the profit that these packers have made in the last year?

Mr. REID. We have their published statements.

Senator NORRIS. That shows a large profit, does it not?

Mr. REID. They show a much larger profit than they ever previously had.

Senator NORRIS. Yes.

Mr. REID. No farmer or anyone objects to the packers making a good profit or to anyone else making a legitimate profit.

Senator WADSWORTH. Do you know how much the profit is per animal?

Mr. REID. What they say they make or what they actually make?

Senator WADSWORTH. That is the important thing, from the standpoint of the farmers.

Senator PAGE. I think it is less than 1 cent a pound; the average profit on beef, they claim, is less than 1 cent a pound.

Senator NORRIS. Are not these things regulated so that they will make a profit of from 9 to 15 per cent?

Mr. REID. Theoretically they are.

Senator NORRIS. But they make more than that, do they not?

Mr. REID. That would be so, in my opinion. I have no evidence to substantiate that, however.

The CHAIRMAN. Well, the arrangement was that they should get not over 9 per cent on their turnover on beef. Just how that works out I do not understand. I thought perhaps you might know.

Mr. REID. Well, as long as the Government does not have any real control of the packing plants, as far as having a sufficient force of experienced men down there watching the buying and selling and getting reports and checking up those reports, I do not believe that the Food Administration or the Bureau of Markets has any men there at all. I do not see how we can know whether those figures are correct or not. I think we will all agree that the great majority of bank presidents, for instance, are reasonably honest, decent kind of people. Yet we do not go into a bank and ask them to hand the Government a statement and take their word for it. We have very skillful bank examiners, men who are experts and get large salaries; we have men of integrity, experience, and ability to go in there and examine their books and count their cash, etc.

Senator WADSWORTH. Do you think the Government should examine all business in the same way?

Mr. REID. They certainly should examine a business that they are supposed to control by license in that way, especially in a crisis like the present one.

Senator WADSWORTH. You do not think they do that now with the packers?

Mr. REID. I think not.

Senator WADSWORTH. They have the power to do that now, have they not, under the law?

Mr. REID. I think so.

Senator WADSWORTH. Under the license section of the food-control act?

Mr. REID. I think so.

Senator WADSWORTH. I do not think there is any question about that.

Mr. REID. Well, I do not think there is, either; but I do not like to argue a point of law with a Senator who helped to pass the law.

Senator GRONNA. Well, the Government fixes the price of wheat; and yet I do not think they have ever attempted to overlook the farmers' books and see whether they are making a profit or not.

The CHAIRMAN. There is a law to limit the profits of the packers.

Senator WADSWORTH. That is what I wanted to call attention to: That there is a law to limit the profits of the packers.

Senator NORRIS. Is there any question about this: That the Government can fix the price the packers shall pay, and also the price at which they shall sell? They practically do that under the licensing clause of the food-control act.

The CHAIRMAN. Mr. Reid, did you call Mr. Hoover's attention to the section of the act that authorizes him to fix prices and limit profits under those licenses?

Mr. REID. I called the attention of both Mr. Hoover and Mr. Cotton to it; and they both seemed to think that the meat situation is critical; and both seemed sincere in their wish to do something. And when you tell them these things, they agree with you on the food crisis. They admit that the farmers are losing money on their meat products. Yet they claim that they have not power to change these conditions.

The general opinion among the farmers—and, I understand, in other places—is that the Food Administration has gone about as far in some respects as President Wilson thought it was policy to let them go. If that is true and if, not only the testimony that I have given before this committee is in any way true, but even if only a small fraction of it is true—I am not impeaching my own testimony; I am making a constructive statement; I am perfectly willing to be put under oath. But, on the other hand, all the testimony that you have had so far before this committee which I read last night tends to prove what I have said.

Senator PAGE. Mr. Reid, may I ask you this question: Is it the general sentiment among the farmers of the country that the President and Mr. Hoover are more solicitous for the city consumers' end than they are for the farm producers' end of this grave matter?

Mr. REID. I am afraid farmers outside of the cotton belt are rapidly getting that opinion.

The CHAIRMAN. Do you know anything about the personnel of those whose services Mr. Hoover has accepted to administer this meat division of his office?

Mr. REID. I have met them, of course. I did not know any of them previously, those in the meat division.

The CHAIRMAN. I did not mean personally. Do you know anything about their business connections?

Mr. REID. Not any more than I have been told.

The CHAIRMAN. Do you know anything about Mr. Cotton's business connections?

Mr. REID. I do not. But the very general opinion here in Washington, Senator, and the very general opinion in Government circles, seems to be—

The CHAIRMAN (interposing). Mr. Reid, I want to have read into your testimony one sentence of section 5 of the Food Control Act.

(Mr. Thompson, the clerk to the committee, thereupon read, as follows:)

Whenever the President shall find that any storage charge, commission, profit, or practice of any licensee is unjust, or unreasonable, or discriminatory and unfair, or wasteful, and shall order such licensee, within a reasonable time fixed in the order, to discontinue the same, unless such order, which shall recite the facts found, is revoked or suspended, such licensee shall, within the time prescribed in the order, discontinue such unjust, unreasonable, discriminatory, and unfair storage charge, commission, profit, or practice, find what is a just, reasonable, nondiscriminatory, and fair storage charge, commission, profit, or practice, and in any proceeding brought in any court such order of the President shall be prima facie evidence.

The CHAIRMAN. I thought that ought to go into the record at this point, because I think they are getting into a habit generally here of saying they have not the power to do anything they do not want to do.

Mr. REID. Will the stenographer read my previous answer as far as I have gone?

(Stenographer thereupon read, as follows:)

But the very general opinion here in Washington, Senator, and the very general opinion in Government circles, seems to be—

Mr. REID (continuing). That the different Cabinet members and other administrative forces are held back because President Wilson does not grasp the situation.

Senator WADSWORTH. Did you hear the testimony yesterday, Mr. Reid, of Prof. Warren?

Mr. REID. Yes, sir.

Senator WADSWORTH. In which he stated, in one instance, that he knew of an incident which involved the reception by a canning company in Niagara County, in western New York, of a telegram from the Food Administration telling them, in effect, not to pay so much for tomatoes to the farmers?

Mr. REID. Yes, sir.

The CHAIRMAN. Do you imagine anybody lacks any power who issues orders to 6,000,000 farmers not to sell hens for two months?

Mr. REID. Please repeat that.

The CHAIRMAN. Do you imagine anybody lacks any power who can issue orders for 6,000,000 farmers not to sell hens for two months?

Mr. REID. I should assume not; no. But they seem to lack the power to tell four of five packers to not take away the profits and earnings of 2,000,000 farmers.

The CHAIRMAN. The question is whether they lack the power or disposition.

Mr. REID. We hear a lot about things done in Belgium and Germany. We have been sympathetic with the German people, against

whom we are supposed to be fighting, on the theory that the Kaiser has impoverished those people and has caused them to do a lot of things because of what they think is patriotism. Let us assume they love their own country or they would not fight so hard for it. Over here we are facing a condition where we are impoverishing our own people, and the administration does not seem to care. If it is wrong to do the things that the German Government is doing abroad to their people, it is just as wrong to do things right here that the Government is either permitting from lack of administrative ability or simply because they do not know it. If they do not know, that is no excuse. You can not even go into a criminal court and plead ignorance, because you know ignorance of the law is no excuse, and there is no reason at all why the President should be blind to the wishes of his own people and their welfare; that is a part of the thing he is put there by the people to take care of.

The CHAIRMAN. I have been afraid, Mr. Reid, that the administration was at times entirely neglecting the question of the psychology amongst farmers.

Mr. REID. It is more than psychology—they are being ruined.

Senator GRONNA. I do not suppose anyone disputes that the farmers lost on the average a dollar a bushel on wheat produced last year by the order issued. That would mean that they lost, at the rate of 600,000,000 bushels, \$600,000,000, and if they raised 1,000,000,000 bushels they lost \$1,000,000,000—

Mr. REID. I do not care to dispute it, Senator, if you are asking me that question.

Senator GRONNA. I am asking it of anybody who cares to answer it.

Mr. REID. But, on the meat question in breeding animals and raising animals for the market, in the preparing of a stock farm it takes months and years of time for the stock farmer to get his farm equipped, buying silos, raising his crops and getting ready to take care of conditions like this. And if the farmer is a renter, as so many of the farmers are in the richer sections of the corn belt, it takes him a few years to get out of the renter class and save a little money and get credit at the bank and get in shape where he can either buy or rent a farm. Then when these people by the hundreds of thousands are being impoverished to-day by either the greed of a few packers or the indifference of our administration, or both it is outrageous. And I come here to Washington to tell the things I have heard from hundreds of farmers and thousands of people in an endeavor to try to get somewhere to get justice for these farmers. I do not like to set here and say these things, but they are true. Something must be done. If it is not done soon it will not make any difference whether it is done at all or not, a food shortage will come and we will lose the war. Two and two always make four, regardless of proclamations and theories.

The CHAIRMAN. Mr. Reid, if the administration would direct the packers to pay a profit for lambs, hogs, and cattle that would insure a reasonable return to the farmer, that would accomplish the result, would it not?

Mr. REID. Absolutely; and nothing else will. Every legitimate business is entitled to a fair and reasonable profit. Nobody cares if the packers make a good profit or if the railroads make a good profit.

and President Wilson has guaranteed them that. Why are their interests greater than food producers? I think the farmer would be the last person on earth not to want, nor would any other class want, any decent business man to be restricted from making a fair profit on any legitimate thing. But either the Government is forcing the packers to squeeze the farmers, which seems incredible, or the packers themselves are taking it out of them. But the fact remains that these farmers are losing money, and they can not continue in business and continue to lose money. It is utterly impossible for a man who has only \$2,000 or \$3,000 to lose his money, lose all his credit, and yet keep on going. Lots of farmers may own \$40,000, or \$50,000 worth of land, but their actual cash is only a fraction of that amount. They do not have big cash capital.

The CHAIRMAN. I think the farmer is the only class of men who thinks he is lucky when he gets justice.

Senator GRONNA. You think, then, Mr. Reid, that restricting prices in farmers' products in a way which discourages production is not going to help us win the war.

Mr. REID. Anything that discourages production, I assume, taking the statements of the President himself, is going to cause us to lose the war.

Senator PAGE. And it will not result in saving the consumer, because by reducing or restricting the production it will eventually react upon the consumer?

Mr. REID. Absolutely. The more legitimate profit every citizen makes the better off we all are. That is axiomatic; and, more than that, there is nothing on earth that is going to make the farmer continue in business as will the making of his business profitable. That is why for years and years so little attention was paid to sheep, because the sheep business was so unprofitable. I do not care to go into the cause of that here; the reason why simply was because the business was so unprofitable. When the price got up so the business was fairly profitable every farmer became interested. Fundamentally, from the scientific end of agriculture sheep can be handled so much more economically than any other class of live stock that a farmer can have a bigger and quicker turnover for a smaller investment, and this should be safest according to ordinary business practice. There is every possible reason for wanting the ordinary farmer to raise a few sheep, from the clothing as well as the meat standpoint, and it really, gentlemen, is more than a bread-and-butter question; it is a bread-and-meat question.

Senator PAGE. You were speaking about the class of sheep that were being raised now, some for meat and some for wool. Is it not pretty easy to change that, say, by breeding so that in a year you can bring the class of sheep raised from one to the other of those lines?

Mr. REID. That is rather an involved question, Senator. I will say that in a broad way that there is a best and cheapest way to raise sheep. To-day, and in the last three years it has been done something like this: To let the large amount of what is commonly known as longwool sheep be produced in the range country. These in many instances have been partially covered by a mutton cross—and I mean Herino and Rambouillet and Cotswold and Lincoln—particularly the first two—these have been crossed with different English

mutton varieties of sheep. It has produced a fine cross-bred sheep. In the range country there is a section of our United States which might be circumscribed in this manner: You could draw a north and south line perhaps. Senator Granna, through Minot, North Dakota, from the northern part of Canada, and carry that line straight south into Northern Mexico, and you could bring that line west over of what would correspond to the Sierra Nevada Mountains in California, the same range that extends into Mexico—I think it is the Sierra Madre, but it makes no difference—and then bring the line north up through the Sierra Nevada Mountains of California and the Cascade Mountains in Oregon and Washington, and continue up that range into Canada as far as Winnipeg, and complete your rectangle east.

That is all fundamentally and naturally a cattle and sheep country. There is the place where agriculture is only going to succeed when it is fundamentally attached to the cattle and sheep, and perhaps hog industry; but, surely cattle and sheep. In that section of the country, the point I am coming to is they can raise sheep by the millions in big bands, and when they raise these sheep that are generally an all-wool sheep, then cross them back with a mutton ram, then they can send in their extra lambs; they can send in their extra ewes that they do not want; they can send in their surplus sheep of all kinds to our eastern States. The eastern States can take them in small lots, a few hundred up to a thousand or so—generally a few hundred—a double-deck carload is about 300, and feed those more intensively and breed them with that particular variety of English sheep—Shropshire or Hampshire or South-down, etc., and that cross produces a wonderfully good mutton lamb. The importance of the thing is to raise the smaller bands of sheep intensively in our eastern States and sheep in tremendous numbers in the western States.

Senator PAGE. You are getting into a larger field than I meant to open up. The point is this, that the demand for Army wools to-day is for about what is called in the East super!

Mr. REND. Yes.

Senator PAGE. And in that way you are bringing the meat end and the wool end in combination that pays the very best profits to-day of any sheep you can raise, it seems to me.

Mr. REND. Yes; and you are not hurting the wool, because out West they make a specialty of raising this grade of sheep that are half blood five-eighths or three-fourths long wool. So, nobody's vested or other interests would suffer. Senator, if you had bought, let us say, a double-deck carload lot of these western sheep and breed them to English mutton type of rams, it would take 154 days, about, before you get lambs, and also you would have your ewes bred for that whole year. Then suppose you bought those last August (1917) and bred them in November; your half-blood mutton lamb would be on the market this coming August or September. Then you would have to buy some new rams if the market conditions and everything else changes over night at every whim of the packers or the Government. That would be a year from that time before you could catch up.

Senator PAGE. Both working together would enable the farmer to do it, would it not?

Mr. REID. Yes; to-day we are doing it in the most economical and efficient way. But if anybody changes meat standards over night on these things we can not do it.

The CHAIRMAN. It is pretty hard to revolutionize the business to meet an emergency?

Mr. REID. Yes; but why always wait for the emergency—can we never plan in advance? That to-day is the great fault of the administration.

The CHAIRMAN. Nobody knowing when the program will be changed, and nobody knowing whether if he engaged in the business he would make a profit out of it even if he produced it.

Senator PAGE. There is a splendid demand for the wool that comes from the mutton sheep?

The CHAIRMAN. There is no doubt about it.

Senator PAGE. To that extent the farmer is being blamed for all the conditions that exist to-day?

Mr. REID. Yes. But the farmer should have, if he was getting fair play from the Government, every possible assistance from the Government to-day, right now.

Senator GRONNA. Do you know what the attitude of the Chicago papers is regarding this matter, Mr. Reid—I mean the big newspapers of Chicago?

Mr. REID. I think most of the papers in Chicago try to be fair. I think the Trade Commission's investigation there has been handled fairly by the Chicago Tribune and the Hearst papers and the Chicago Daily News. And I would say that the papers are trying to do the best they can, but their editors really do not understand modern farming conditions.

But I might go further and say that for the farm papers of Chicago, or for the cattle papers anywhere in the country, or the ordinary editor to endeavor to fight the packers, or to come down here and testify the way I am doing is a very dangerous undertaking.

Senator GRONNA. I think you misunderstood my question. Do those papers realize that the real important thing is production, and do they take the same position that you have very vividly explained to us this morning, that in order to encourage production the farmer must receive a fair return for his efforts and upon his investment?

Mr. REID. They have not on the question of the milk supply of the city of Chicago, Senator. They do not seem to have any conception of the producer's side of the proposition at all. They have taken the consumer's side. Another thing, Senator, after all, the city papers are printed for the benefit of the city people who read them.

The CHAIRMAN. What has been the attitude of the farm papers generally toward the food situation and the importance of efforts to encourage the production of meat?

Mr. REID. May I amplify my answer?

The CHAIRMAN. Yes.

Mr. REID. The farm papers generally are sympathetic with the farmers, and they want to do the best they can, but they are dependent to a certain extent upon their advertising. They have to get credit. Where the papers in cities like Chicago, where interests like the grain and meat interests, before the Food Administration was operative, supposedly interfered and editors and other people did not.

dare in some instances to come out and tell or print what they thought. Otherwise, they would lose their credit. Personally—although it does not make much difference—I know I am taking a risk in coming down here and testifying before this committee.

Senator NORRIS. Do they have any fear of the Post Office Department in the administration of the espionage and trading-with-the-enemy act and that the department might enforce it against them?

Mr. REID. I do not believe I get the drift of your question.

Senator NORRIS. What I mean is, censorship of the Government. Is there any fear on the part of the farm papers along that line?

The CHAIRMAN. With respect to the papers being put out of the mails.

Mr. REID. I do not believe that there is much fear of that, but I suppose that the act could be invoked by a very partisan administration against them.

The CHAIRMAN. That is all, Mr. Reid. The committee is very much indebted to you.

(Thereupon, at 12 o'clock noon, the committee adjourned to meet at the call of the chairman.)



INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE AND FORESTRY
UNITED STATES SENATE

SIXTY-FIFTH CONGRESS

SECOND SESSION


RELATIVE TO

INCREASING THE PRODUCTION OF GRAIN AND MEAT
SUPPLIES OF THE UNITED STATES

SATURDAY, MARCH 9, MONDAY, MARCH 11,
TUESDAY, MARCH 12, 1918

Printed for the use of the Committee on Agriculture and Forestry

PART 4

U. S. FOOD ADMINISTRATION
 NOV 7 1918
INFORMATION BUREAU LIBRARY

WASHINGTON
GOVERNMENT PRINTING OFFICE
1918

COMMITTEE ON AGRICULTURE AND FORESTRY.

THOMAS P. GORE, Oklahoma, *Chairman*.

GEORGE E. CHAMBERLAIN, Oregon.

ELLISON D. SMITH, South Carolina.

HOKE SMITH, Georgia.

MORRIS SHEPPARD, Texas.

JOSEPH E. RANDELL, Louisiana.

WILLIAM H. THOMPSON, Kansas.

ED. S. JOHNSON, South Dakota.

JOHN B. KENDRICK, Wyoming.

FRANCIS E. WARREN, Wyoming.

CARROLL S. PAGE, Vermont.

ASLE J. GRONNA, North Dakota.

GEORGE W. NORRIS, Nebraska.

WILLIAM S. KENYON, Iowa.

JAMES W. WADSWORTH, Jr., New York.

J. ROY THOMPSON, *Clerk*.

INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

SATURDAY, MARCH 9, 1918.

**UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.**

The committee met, pursuant to call of the chairman, at 10.30 o'clock a. m., in the committee room, No. 326, Senate Office Building, Senator Thomas P. Gore, presiding.

Present: Senators Gore (chairman), Sheppard, Ransdell, Thompson, Page, Gronna, Norris, Kenyon, and Wadsworth, jr.

The CHAIRMAN. The committee will now be pleased to hear you, Mr. Delfelder.

**STATEMENT OF MR. J. A. DELFELDER, REPRESENTING
THE WOOLGROWERS, RIVERTON, WYO.**

The CHAIRMAN. State your full name, residence, and whom you represent.

Mr. DELFELDER. My name is J. A. Delfelder, address Riverton, Wyo., and I represent the woolgrowers.

The CHAIRMAN. Proceed with your statement, Mr. Delfelder.

Mr. DELFELDER. The supply of wool for the past seven years has been decreasing 2 per cent annually, and the consumption has been increasing 4 per cent annually. The war has had a tendency to deplete the woolgrowing industry in many of the foreign countries and the drought has killed a large number of sheep in Australia during the past year. Japan at the present time is confronted with a wool famine, and that country has representatives in the United States endeavoring to buy 10,000,000 ewes with which to establish the woolgrowing industry in Japan. The question of encouraging further production in the United States, or even maintaining our present supply is a question worthy of serious consideration. In the Intermountain region where we are growing 20,000,000 head of sheep, the ranges are being depleted by dry farmers and withdrawals, and the predatory wild animals are killing 5 per cent, or approximately 1,000,000 head annually. Fifty per cent of the labor that we employ is for the purpose of protecting our flocks against predatory wild animals. But with the present shortage in labor it is a question whether or not we will be able to protect our flocks in the future and maintain our present supply of wool.

We appear before you at this time in an endeavor to get a Federal appropriation for the purpose of eradicating all predatory wild animals of the West. Since our ranges are stocked to their carrying capacity, it will be impossible for us to increase our holdings and

production without encroaching upon the areas that are now producing wheat, sugar beets, and food products. The raising of live stock should be confined to natural grasses, because it lessens the cost of production and lessens the attention of labor. With the eradication of the predatory wild animal, we can readily release 50 per cent of the labor now employed and that labor can be used for growing foodstuffs and manning the factories.

Should you give our proposition favorable consideration and eradicate our predatory wild animals, we must find other grazing grounds for this surplus. With that in mind we have investigated the coastal plains of the South, the idle lands of the North and East. We find millions of acres of unutilized waste grasses suitable for sheep raising, but we find, further, that it is utterly impossible to get natives or the Western man to stock these ranges on account of the depredations of predatory dogs.

Unless we can get some legislation that will eradicate these dogs, or confine them to the owners' premises, the reestablishing of the wool-growing industry in the South or East, for taking care of the surplus sheep of the West is utterly out of the question. If the million head of surplus sheep from the western ranges can be brought to the South and East each year, it would only be a question of about 10 years until the United States would be producing the 700,000,000 pounds of wool that we consume annually.

The CHAIRMAN. Do you want us to tax the people for this purpose?

Mr. DELFELDER. That is what we are getting at. What we want Congress to do is not to make a tax upon any commercial industry. We do not want them to disturb anyone else in this matter, but we want them to put the dog owner, the live-stock owner, and the predatory wild animal in a sphere by themselves, and create a fund by levying a tax upon dogs and use that fund for the purpose of eradicating the predatory wild animal.

Senator KENYON. You would make a different rate of tax upon the different kinds of dogs?

Mr. DELFELDER. Why, no.

Senator KENYON. Would tax every dog alike?

Mr. DELFELDER. Yes; we would tax every dog alike. Sheep raisers have dogs and we must keep those dogs, because they are necessary in the successful handling of sheep on a large scale, and until we can do something with this sort of a proposition.

I did not think the condition was so serious until I went South last fall, and I got some of the natives down there to try sheep raising, and they were a little bit backward about doing it, but finally they did put them in. I have just returned from there, and I have found there is a lot of truth in this dog proposition. They are not going to raise 10 per cent of lambs on account of the dogs destroying them.

The CHAIRMAN. Are they killing the dogs?

Mr. DELFELDER. No; because at the present time it is not wise policy for anyone to kill a predatory dog.

The CHAIRMAN. The local authorities will not kill the dogs?

Mr. DELFELDER. No; they will not kill them.

The CHAIRMAN. Do you know we have adopted a constitutional amendment by which United States Senators are elected by direct vote of the people? [Laughter.]

Mr. DELFELDER. Yes, sir; I do know that, and I notice a great many have respect for that, too. [Laughter.] On taking it up with the State legislatures they say that such a measure can not be handled by the States, but that as a national measure it could be done.

Senator NORRIS. What kind of a law could Congress pass that would reach the dog question?

Mr. DELFELDER. The same as other laws you have passed. You passed a law creating forest reserves, and you have passed numerous other laws that I think would properly come in the same category with the dog law.

Senator NORRIS. The point I want to get right on is. What kind of a statute could we enact? Could we enact a national statute now that would have some bureau here in Washington go out and shoot dogs?

Mr. DELFELDER. I am not a lawyer, Senator, and of course I am a woolgrower and I am not in a position to pass upon that part of it.

Senator THOMPSON. How would a special war tax upon dogs do?

Mr. DELFELDER. That is it. Dogs can be declared a nuisance and a tax imposed upon them.

Senator PAGE. Why can not a tax be imposed on them without declaring them a nuisance? Why can not a tax be levied for the purpose of revenue to carry on the war? Do you know any reason why we can not tax anything we want to if it is a war measure?

Senator NORRIS. Suppose we passed a law that the declaratory purpose of it would be to raise revenue to carry on the war. Do you mean to say every dog should be taxed \$5? We would have to enforce the collection of the tax. Can we do that through the Internal Revenue Office?

Mr. DELFELDER. You can.

Senator NORRIS. Would not that require an army of Federal officeholders?

Senator PAGE. No, Senator; because the States themselves—

Senator NORRIS (interposing). That is coming to the point.

Senator PAGE. The States themselves have a list of dogs. Vermont is compelled to carry out the State law. In my State a man has to notify the town as to the number of dogs he keeps, whether male or female. That record being there, it seems to me very easy to expand the proposition.

Senator NORRIS. That is coming down to something practical.

Senator GEONNA. We do now have a municipal tax on dogs.

Mr. DELFELDER. Such a tax would raise in the neighborhood of \$7,000,000 or \$8,000,000 a year. There are approximately 10,000,000 dogs in the United States.

Senator WADSWORTH. Has there been a dog census taken recently?

Mr. DELFELDER. No, only in some states. In South Carolina they have more dogs than people and twice as many dogs as hogs, and the value of the dogs is ten times as much as the value of the sheep.

Senator WADSWORTH. The value of the dogs is more than the value of the sheep?

Mr. DELFELDER. Yes, sir; the value of their dogs is \$650,000, and I think the value of their sheep is \$62,000.

Senator KENYON. And the dogs eat a lot of food, do they not?

Mr. DELFELDER. If we were to confine these dogs to a mutton ration and they were all taken to Wyoming, where we have 4,000,000 sheep, they would eat up our entire flock of sheep in 20 days, and to put all the dogs of the country on a mutton ration they would eat up all of the sheep in the United States in eight months. You can get some idea from that what a tremendous thing it is to feed the dogs, and if there is a man here able to tell me what dogs are good for outside of the sheep business I want to know it.

Senator GRONNA. I realize that the dog question is a serious one to the sheep man. A dog is a very valuable animal on the farm. I think the real difficulty, as you said a moment ago, is that one neighbor does not care to kill his neighbor's dog. But I do not see how we could improve upon that, simply by enacting a law here. We might get some dog administrators, but the fact of the matter is we would have to import them from some foreign country, England or some such place, or they would not have the nerve to execute this law.

Senator PAGE. If we placed a tax on female dogs of \$20 and upon male dogs of \$5 each all through the United States, do you not think that would wipe out a very large number of the cheap, worthless dogs?

Senator GRONNA. I think the only way you can eradicate worthless dogs is by imposing a really heavy tax upon them.

Senator PAGE. If any woman wants to have a pet dog to carry around in her automobile she would be able to pay that tax. Anyone can afford to pay a fair tax on a valuable dog, and it would eliminate the worthless little cur running around the streets. I have seen, when riding around in my own home State, a little dog which would begin to run for pleasure after some sheep, and perhaps single out one that was pretty heavy with lamb, and it would only be a few minutes before that sheep would lay down, and as a rule it would die. I think that class of dogs really prevents in Vermont our having a sheep industry, and while we might perhaps find that locally through our State legislature we would not be able to handle the matter—

Senator WADSWORTH (interposing). You can do it.

The CHAIRMAN. We could put a tax on all dogs found with wool in their teeth.

Senator WADSWORTH. The State of New York is solving this problem in a perfectly easy way. There is nothing mysterious about it. There is no reason why every State should not do it. This thing of always coming to Washington to have something done that the people of the communities do not do or neglect to do, to my mind, is getting almost absurd. The State of New York has established a State constabulary, which has various functions to perform of a police character, and one amongst many of their functions, which has turned out recently to be a rather important one, is the shooting on sight of any dog without its license tag, and they are doing it all over the State and everybody is cheering loudly when they do it, and local sentiment agrees with it.

These State policemen are mounted and uniformed, and they are a very fine lot of men, carefully selected, and under military discipline, stationed at strategical points about the State, quartered in barracks, and they ride the country over two by two; they arrest automobile speeders, help the deputy sheriffs track criminals, and

whenever they see a dog anywhere without his license hanging around his neck that is a dead dog. It is easy for the States to do this thing. There is no reason why the States should come all the way to Washington to have dogs properly controlled within their own borders. We are breaking down local sentiment in bringing such things to Washington.

Senator NORRIS. How long has that law been on the statute books in New York?

Senator WADSWORTH. A little over a year.

Senator NORRIS. What has been the effect on the sheep industry?

Senator WADSWORTH. Splendid. They have always raised some sheep and have always been discouraged on account of the dog problem.

Senator NORRIS. At the present time are these dogs killing many sheep in New York State?

Senator WADSWORTH. Very much fewer than they did a year ago, because there are fewer dogs and the dogs which are living there are living legally with license tags on them showing the tax has been paid, and a man who owns a dog worth paying tax on takes care that dog and looks after him. Under our dog law the damage done done to flocks of sheep is paid out of the dog license fines of the town. In that way it is a matter of public sentiment.

Senator NORRIS. Is not the owner of that dog liable

Senator WADSWORTH. No; not the owner himself. The dog has to be killed as soon as he touches a sheep. The State constabulary do it, and it is always better to have that done in that way than to have so-called biologists and so-called scientific men to teach people how to get rid of dogs.

Senator PAGE. Is there any tax we could levy that we could collect better or cheaper than a tax on dogs by the Government which would seek to tax every dog in the United States?

Senator WADSWORTH. In the States in which dogs have not been registered the Federal Government would have to make a dog registration.

Senator NORRIS. Which would fall as a burden on the States that have tried to reach this evil.

Senator WADSWORTH. It is the old cry for the Federal Government to do everything.

Mr. DELFELDER. That would be all well and good if you could get the States to do that. But our wool situation at the present time is alarming. For the past seven years the production, as I have previously said, has decreased 2 per cent and the consumption has increased 4 per cent, and the industry has practically been depleted in European countries, and Japan is facing a wool famine right at the present time. We are producing less than one-third of the wool that we are consuming, and unless we get immediate relief we are going to have a wool famine in the very near future, and to wait until the States get around to this is going to take, you might say, ages to accomplish.

Senator GRONNA. You have given this subject considerable study. What would you recommend to be done?

Mr. DELFELDER. I would recommend that an immediate tax be placed upon dogs, and that the fund so raised be used for the purpose of destroying predatory wild animals; that would give us an im-

mediate increase of at least 1,000,000 sheep a year, and by bringing them then to the coastal plains of the South and New England States and the States of the Middle East, it would only be a question of a few years until we would be producing our entire requirements.

Senator GRONNA. Have you any idea that this dog fund would be something which would cost us as much to collect the tax in this way as the tax would amount to?

Mr. DELFELDER. I do not. I think if you would make that mandatory upon the owner of the dog and give him 60 days in which to pay his tax on his dog, and to subject him to a fine immediately afterward if he did not pay it, that the people themselves would enforce this law.

Senator GRONNA. How much of a tax would you impose?

Mr. DELFELDER. I would think \$1 a head would be sufficient. That would give us a fund of \$5,000,000 to \$10,000,000.

The CHAIRMAN. Why not make it \$5; would not that make the result more certain?

Mr. DELFELDER. If you make it \$5 it would make it a little more burdensome upon the men who must keep the dogs for legitimate purposes, and I should think \$1 a head is sufficient. That would be enough to mark the dog that is claimed. The great damage is from the dog which has no owner. All over the coastal plains they live under abandoned houses and prey upon live stock and upon poultry. They really have no owners, and this would compel the owner to have a mark on his dog, and any dog found without a tag would be subject to being killed.

Senator WADSWORTH. Who would kill that dog?

Mr. DELFELDER. A wool grower, if he has the authority, will not hesitate to do it if the dog molests his flock.

Senator WADSWORTH. Do you think the Congress could give any individual living in the United States the right to kill a dog?

Mr. DELFELDER. I think so.

Senator WADSWORTH. You think Congress could give the individual such indiscriminate police power as that?

Mr. DELFELDER. I think so.

Senator WADSWORTH. That is quite a conception, and I think you better think it over a little before being positive.

Mr. DELFELDER. A dog roaming about promiscuously would be considered predatory and would be subject to being killed the same as wild animals of the West. I am not a lawyer. I am not passing on this thing in a legal way; I am telling you about these matters from a sheepman's standpoint.

Senator GRONNA. Your idea is we could cooperate with the States and the dogs would have to be destroyed by orders of the State authorities? Of course, I am not a lawyer, but I do not think we could enact a Federal law authorizing anyone to usurp the police powers of the States. I think it would be very foolish to pass such a law as that.

The CHAIRMAN. Do you think you can pass a law giving a man the right to kill a dog that did not have a tax tag?

Mr. DELFELDER. If the dog were declared a nuisance you could.

The CHAIRMAN. The States have police powers and could legislate, but the United States can not.

Mr. DELFELDER. The dog is of a predatory nature and is destroying domestic live stock, and why could not he be declared a nuisance?

The CHAIRMAN. Take a bull, which is rather a violent animal. Could you pass a law giving authority to shoot a bull?

Mr. DELFELDER. Yes; but a bull does not do damage.

The CHAIRMAN. I am not talking about the damage; I am talking about the principle.

Senator PAGE. Do you not believe that the taxing power of the Government would reach this matter just as well or even better than to declare a dog a nuisance? Why do you not tax every dog in every State?

Mr. DELFELDER. That is what I say, tax them, whether you declare the dog a nuisance or not. But declaring the dog a nuisance and making it legal for anybody to kill a predatory dog or a dog without a collar on or an owner, you will not have any trouble in getting these dogs killed off.

Senator PAGE. But you are departing then from the proper line of law. Let the States do that, but let the Federal Government declare a tax. And instead of taxing a dog \$1, I would say tax him \$5 for the male and \$10 for the female, and in that way eliminate all the cheap dogs. If you have a few very choice shepherd dogs in the West, your farmers will pay \$5 a piece for the sake of eliminating the cur.

Mr. DELFELDER. I am not arguing the point as to what you shall levy; make it \$1 or \$5 or \$25 and we will cheerfully pay it.

Senator GRONNA. You will have difficulty making people admit their dogs are nuisances. Did you ever read Senator Vest's eulogy on the dog?

Mr. DELFELDER. I have not. Nobody has more use for the dog than I have. I have in the neighborhood of 100 dogs, and I would keep every one of them.

Senator GRONNA. I think the pioneer and the man who has been on the frontier during his younger days realizes there is no more faithful animal servant on earth than the dog, and I agree with you entirely that the dog should not be declared a nuisance.

Mr. DELFELDER. To show you the ineffectiveness of some of the State laws in regard to dogs, I will say that we have a wool grower in Missouri who had a large number of sheep killed—I think something like 75 head in one night—by two dogs. He succeeded in shooting one of the dogs, and a few days afterwards he got the other by poison. Of course, the owner of the dog was a pauper, and there was no need of bringing a suit against him to recover damages for these sheep. So he just thought he would let things run along, and in a few days the owner of the dog brought suit against the owner of the sheep, took the matter into court and collected \$125 for the value of those dogs.

Senator WADSWORTH. Is not that indicative of some trouble with the laws of Missouri?

Mr. DELFELDER. I am not saying anything about the laws of the different States, but it is the sentiment of the people to a certain extent, and unless there is something done with the dog problem and something done with the predatory wild animal problem in the West it is going to be a very hard matter to get a further increase of wool or mutton within the immediate future.

The CHAIRMAN. Do you not think it is possible to clean up predatory animals and get rid of them?

Mr. DELFELDER. We get them down to about 40,000 in the spring of the year. Then if we had an attractive bounty of, say, \$50 apiece, which I think could be done with \$2,000,000, we could easily eradicate those animals.

Senator GRONNA. Do you not think it would be infinitely better to get settlers to go out in that country and let them take care of that question than for the Government at all times to be appropriating money?

Mr. DELFELDER. As far as the Government is concerned, it is going to be utterly impossible for them to get the labor. You gentlemen do not seem to appreciate the seriousness of the labor problem. With us we really do not know where we are going to get help to plant our crops and care for our stock, and it would be out of the question to get a bunch of men to go out and man this biological work; but if a bounty of \$25 was put upon predatory animals, if the settler had any spare time he would get up early in the morning and set traps, and there would be concerted action all over the intermountain country to kill them.

Senator KENYON. Do not the States give a bounty?

Mr. DELFELDER. The States do give a bounty, some of them.

Senator KENYON. And you want the Federal Government to give a bounty?

Mr. DELFELDER. Yes; out of this dog tax. But we are not asking Congress now to tax any commercial industry, simply to penalize the owner of a dog for feeding him food during the period of the war, and this can be operated so that the coastal plains of the South and the waste grasses of the East may be utilized. There is not any question but what in 10 years under that method we would be producing the 700,000,000 pounds of wool we are consuming and not be dependent upon foreign countries for our wool supply.

The CHAIRMAN. Do foreign countries have dog taxes, those that raise considerable quantities of wool?

Mr. DELFELDER. As a rule, I think they do; at least they lose very few animals from predatory wild animals.

The CHAIRMAN. Mr. McClure, of the Wool Growers' Association, is here, and I have asked him to make a statement before the committee.

STATEMENT OF MR. S. W. MCCLURE, SECRETARY NATIONAL WOOL GROWERS' ASSOCIATION, SALT LAKE CITY, UTAH.

The CHAIRMAN. Mr. McClure, state your full name, residence, and whom you represent.

Mr. MCCLURE. My name is S. W. McClure; residence, Salt Lake City, Utah; and I am the secretary of the National Wool Growers' Association.

Senator KENYON. Mr. McClure, what is the National Wool Growers' Association?

Mr. MCCLURE. An organization representing the wool growers of the United States.

Senator KENYON. Is it a stock company?

Mr. McCLURE. No, sir; it is a voluntary organization with about 20,000 members.

Senator KENYON. Have the packers any connection with it?

Mr. McCLURE. No, sir. The organization is entirely supported by dues collected from sheepmen. The western sheepmen pay us \$5 a year and the little fellows pay \$1 a year. We have about 5,500 members that pay either \$5 a year or \$1 a year. The balance of our members, about 15,000, come in through other organizations; that is, a State association will join and pay us \$100 a year, and that makes each of their members an affiliated member of our organization.

The National Wool Growers' Association met at Salt Lake City in January. It was attended by some 1,200 wool growers, representing 23 different States. That association unanimously passed a resolution asking Congress to place a Federal tax upon dogs, and use a portion of the money, or such part as may be necessary, for the extermination of predatory wild animals in the West. I will submit the resolutions to the clerk, and he can put it in the record.

(The resolutions referred to are here printed in full, as follows):

FEDERAL DOG-TAX LAW.

Whereas a general effort is being made to reestablish wool growing in the States of the East and Middle West, but the depredations of uncontrolled dogs offer considerable obstruction to the success of such efforts. State regulation of the dog nuisance has generally proved a failure, and it is felt by many well advised people that if a Federal tax could be imposed it would result in raising considerable revenue and in destroying many worthless dogs: Therefore, be it

Resolved, That we urge upon our members of Congress the desirability of placing a Federal tax upon all dogs, and of using the fund thereby created to exterminate stock-killing dogs and predatory wild animals.

ERADICATION OF PREDATORY WILD ANIMALS.

Whereas the work being done by the Bureau of Biological Survey for the extermination of predatory wild animals and range-destroying rodents has proven most successful and beneficial during the past two years; and

Whereas Congress is to make an emergency appropriation to meet food shortage conditions and to aid in increasing production; and

Whereas this resolution is in direct line with such appropriation work: Therefore, be it

Resolved, That we petition Congress for an appropriation of \$500,000 for immediate use by the Bureau of Biological Survey for the extermination of the aforesaid animals; and be it

Further resolved, That in case the legislature of any State shall make an appropriation or the stock-raising interests of any State shall raise funds to be expended by the Biological Survey, the said State appropriation or private fund shall be duplicated by a further appropriation by Congress, to be expended by the Biological Survey for the extermination of the aforesaid animals of such State or States.

The western people are not very much molested by dogs. Our country is sparsely settled and always will be. It will not carry much more settlement than we have at the present time, except in the cities. Hence our people do not live close enough together for the dogs of one man to interfere with or greatly injure the flock master of another section. So we are losing in the West very few sheep from dogs.

In the eastern, middle western, and south portions of the country your farmers contend that the losses from dogs is the one thing

that interferes and keeps them out of the sheep business, and I think statistics go to prove that the losses of sheep are large.

Senator NORRIS. I think that might be conceded. You have not any doubt but what the loss of sheep by dogs in the East is one of the things that keeps the farmers of the East from raising sheep?

Mr. McCLURE. My views are somewhat different—

Senator PAGE (interposing). Is it not the main thing?

Mr. McCLURE. No, sir; I would not say so.

Senator PAGE. In the East?

Mr. McCLURE. No, sir. I was raised on a sheep farm 90 miles from here. The three factors, in the order of their importance, that put our farmers out of the sheep business was, first, the dairy cow; second, the stomach worm; and, third, the predatory dog. We can not do anything with the dairy cow, because she is more profitable than the sheep. Many farmers got out of the sheep business to go into the dairy business. That is what my father did.

The CHAIRMAN. That was an economic problem.

Mr. McCLURE. That was an economic problem; yes.

Senator PAGE. Is it not true that in Eastern States, like my own State of Vermont, there is any quantity of land where the dairy cow can not go?

Mr. McCLURE. That is very true.

Senator PAGE. And the sheep can go and will go, and will remove the weeds and improve the farms wonderfully?

Mr. McCLURE. That is very true, Senator; and I was coming to that. The stomach worm problem has not been solved. The dog problem we think can be solved by the elimination of the dog.

The CHAIRMAN. Is this stomach worm peculiar to sheep?

Mr. McCLURE. Yes, sir; it is a worm that infects pastures and kills very large numbers of sheep if kept on pastures continuously in warm climates.

The CHAIRMAN. It does not infest the West?

Mr. McCLURE. It does not infest the West on account of our absence of moisture and the fact that our sheep are not crowded in grazing.

Of these three problems, it seems to me, affecting the sheep, the one that is possible of solution is the dog. I think it is mighty important. I have no doubt that thousands of farmers are kept out of the sheep business by reason of the depredations of these dogs. We think the dog renders very little service, or the great bulk of them render no service; and, as Mr. Delfelder says, most of them are a nuisance, and we thought that probably Congress could enact legislation by which a tax of, say, \$1 a head would be placed on male dogs and \$2 a head on female dogs. We thought maybe the tax could be collected by the Federal tax-collecting agencies, and that in the event it was not collected that the Federal Government could expend some money in enforcing the law and using a portion of the funds gained thereby for defraying any expense that they might be to in that particular. We thought probably the sum of \$10,000,000 could be raised by placing this tax on dogs.

Of course, the Senator from New York will say that the matter can be controlled by the States. The fact is that the States have not controlled it. We have had dog legislation on our statute books since the days of George Washington, in fact, the dogs killed some of

his sheep, which is pretty accurately recorded, but it has been the history of State legislation, so far as it affected the dogs, that the laws were not enforced, except for a temporary period during which time there has been some great public agitation against the dog.

Three years ago the Secretary of Agriculture, Mr. Houston, called a meeting at Washington of representatives of the sheep industry, from all the different States, and I think something like 100 of us met down here to decide what might be done to promote the well-being of our sheep industry. It seems to me that the consensus of opinion of all those delegates was that the most likely avenue of attack was against predatory dogs, and it was the unanimous testimony of the sheep men from these Eastern States that State laws were ineffective because they were not enforced. I know that when I lived here in Pennsylvania we had dog laws on the statute books, and I have had as high as 15 dogs at a time and I never did pay a dog tax, and I think that is generally the case down here. These laws in eastern sections are enforced by a constable who is elected by a popular vote, and among friends he does not bother about collecting a dog tax. They look upon the dog tax as a joke. Of course, all our cities tax dogs. They do that for revenue purposes, and thereby raise considerable money. Some of them enforce it and others do not. But it is an undisputed fact that around any of the small towns in this country it is absolutely impossible to keep any sheep at all. Hundreds of dogs are running around that are untaxed, and even if taxed are running around uncontrolled.

I do not know whether the dog tax proposition is a legal one or not. I have thought that the Federal Government might well control dogs as a live stock sanitary measure. It is known that dogs are the conveyors of very many diseases, and it seems to me that on that ground, if upon no other, the Federal Government would have ample jurisdiction to regulate the liberty of dogs that might be in any community. I think the dogs are common carriers of hog cholera. A man's hogs die with cholera, some dog consumes a portion of the hog, maybe gets a bone or some of the flesh of the diseased hog, and drags it off to another man's farm and the other man's hogs get cholera. At the time of the foot and mouth disease outbreak they found that the dog was one of the principal spreaders of that epidemic. I think there is no infectious disease which depends upon organism for its dissemination but what the dog would carry it better than any other animal because he feeds on animals that die.

Senator GRONNA. It is also contended, Mr. McClure that human beings carry hog cholera. A person walks through a pig pen and then walks into another man's yard, and he will carry that disease along with him. I think that has been demonstrated.

Mr. McCLURE. I think that is true.

Senator GRONNA. I did not tell you that for the purpose of licensing one man for carrying hog cholera to another man's hogs, but I did not want your testimony to stand that the dog was the only animal that would carry hog cholera.

Mr. McCLURE. I think you are quite correct about that.

The CHAIRMAN. As a sanitary matter, it would have to be left to the States.

Mr. McCLURE. They might handle it in cooperation with the State. The best work that is being done against dogs by any State, I believe, is the State of Pennsylvania. They have a lot of rabies in Pennsylvania, and, of course, rabies is entirely spread by dogs, and under the pretense of eliminating rabies the State Live Stock Sanitary Board of Pennsylvania has killed a great number of dogs, and they are doing very good work that way.

Senator GRONNA. What right have we to say that the Federal Government shall enter into a man's farm and kill a dog?

Mr. McCLURE. I think this, that the Federal Government could as a war measure say there should be a tax on dogs of \$1 a head, and if the owner fails to pay the tax the authorities have the right to confiscate the dog.

The CHAIRMAN. You have no right to tax anything in time of war that you would not in time of peace.

Senator GRONNA. As I understand, Mr. McClure, this is not being advocated simply as a war measure?

Mr. McCLURE. If it could be operated after the war, well and good. We thought may be the war offered an opportunity to start it.

Senator GRONNA. Do you think it could be operated as a war measure?

Mr. McCLURE. I am not sure about it.

Senator PAGE. But, do you think it could not? Why has not the Government a right to say that, as a source of revenue?

Senator GRONNA. I will answer that when the witness has answered my question. The witness is an expert, and I have not given it the study he has.

Mr. McCLURE. I thought we at least ought to try. The sheep are declining in the eastern part of the country, and I rather think that we are not going to have as many sheep in this country in a few years. Our western lands are being settled up. We are not going to be in the sheep business in as big a way very long out there, and unless you can raise them down here on the farm we will not have as many sheep 10 years from now.

Senator GRONNA. Do you not think sheep are increasing in the Middle Western States?

Mr. McCLURE. The report of the United States Department of Agriculture, issued January 1, shows an increase for 1917 of 1,200,000 in the sheep of the United States. Of course, that is simply an estimate, and most of that increase was in farm States. But we must remember that all departments of the Government, including Mr. Hoover, have agents working all over the United States urging people to keep sheep. In Senator Wadsworth's State of New York, they have organized associations to put up the money and go out and buy sheep for the farmer, and turn them over to the farmer, and the farmer pays for them if he ever gets any money out of the sheep. That is being done in New York to-day extensively. They bought 20,000 ewes in our country this year; and it is also being done in Pennsylvania.

That is all I had to say, except somebody brought up the question of shearing. Mr. Delfelder was asked a question. We ordinarily pay for shearing in the West 8 cents a head. I think last year we paid 12 cents in most places. This year the Shearers' Union has fixed the price at 15 cents, and the shearers say they will not shear for that;

that they are going to charge 18 cents. My man writes me from the ranch yesterday that he had a few sheep shorn and the shearers charged 35 cents a head, and he could not get it done for any less.

On the labor question, I think that our situation is as serious as it can be. We have not sufficient labor in the Western States to-day to handle our sheep in an efficient manner, and it is growing scarcer all the time.

The CHAIRMAN. There are not any remedies to suggest for that?

Mr. McCLURE. I have not, except that all labor identified with important agriculture or the live-stock industries should be eliminated from the draft. That was not done in the first draft, and a good many of our sheep employees were taken. I understand that there is a possibility that they will be exempted in the present draft.

The CHAIRMAN. You understand so?

Mr. McCLURE. Yes; but I do not know that that is to be the case.

The CHAIRMAN. If I were you I would not count too strongly on that.

Senator KENYON. Does your association have any warehouses anywhere?

Mr. McCLURE. Yes, sir; the National Wool Growers' Association nine years ago organized a National Wool Warehouse & Storage Co., a cooperative organization, for the purpose of selling the wool growers' wool direct to the manufacturers.

Senator KENYON. Where do you have those warehouses, in Chicago?

Mr. McCLURE. We have warehouses in Chicago; one in Chicago, one in Boston, and one at Philadelphia.

Senator KENYON. Is that a corporation?

Mr. McCLURE. Yes, sir; it had to be.

Senator KENYON. Are the packers the chief stockholders in that?

Mr. McCLURE. No, sir. You are getting me into rather a long story, Senator.

Senator KENYON. Do not get into a long story about it.

The CHAIRMAN. Do the packers own the preferred stock?

Mr. McCLURE. Let me tell the story.

Senator KENYON. Just tell us if the packers own the stock or not.

The CHAIRMAN. Do they own any of the preferred stock?

Mr. McCLURE. We have in this country no wool market. Our wool is handled entirely by speculators living in Boston or Philadelphia. The woolgrower was unable to obtain for his wool its fair market value. The growers therefore conceived the idea of marketing the wool themselves direct to the manufacturer. Of course Boston is the central wool market. Our western people sent three sheep men down to Boston to arrange with the banks there for financing this cooperative wool-selling organization. When we got down to Boston we found that these wool dealers, who had bought our wool, were the largest factors in the Boston banks. The result was that we could not get a dollar in Boston to finance the National Wool Warehouse & Storage Co., because if we succeeded with our proposition it meant the elimination of the wool dealers, and the wool dealer, being a director in the bank, necessarily was adverse to the bank helping us out. We then did not know what to do.

So, we finally came back to Chicago to the Union Stock Yards people—not the packers, but to the stockyards—and the stockyards

people said, "We will put up a portion of the money to help you establish a warehouse." So we organized a warehouse company there, with a capital, as I remember, of \$500,000, and the stockyards people, through Mr. Spoor took a portion of the preferred stock, and they have held it until this time. I think they have disposed of most of it now, or about all of it. They are going to have a meeting Monday. We have had a big time with the warehouse. It is a long story and it will take me a long time to tell it all. It has been a mighty fine thing for the woolgrowers. The stockyards people have been eminently fair with the woolgrowers. They have allowed the woolgrowers to organize the warehouse, to officer it, and have allowed them to do anything they wanted to do so long as the woolgrowers kept the financial end of the institution good.

We have handled as much as 17,000,000 pounds of wool a year, and it requires as much as \$7,000,000 or \$8,000,000 to handle this wool. We, as woolgrowers, could not raise that money. So, we had to be tied up to some strong financial institution, and I think you will not find among all the members of the warehouse a single one who would state that the stockyards people have made any effort to take advantage of the woolgrower in the sale of his wool, and altogether the warehouse has been a fine institution.

The CHAIRMAN. It has succeeded?

Mr. McCLURE. Yes, sir; we think so; and we are going to keep it alive, if it is possible to do so.

The CHAIRMAN. The packing houses are in control of the stockyards?

Mr. McCLURE. I think it is a good thing that the packers do control the stockyards. Personally, I do not see any reason why they should not.

The CHAIRMAN. As a matter of policy?

Mr. McCLURE. I do not think that the packer ownership of the stockyards is in any way detrimental to the live-stock interests. I do not see how it gives the packer any advantage over the stock producers and, in fact, the stockyards must be owned by some mighty big, strong financial companies, since they have got to be prepared to take care of enormous numbers of live stock. We have had as many as 72,000 lambs on the Chicago market in a single day. If we tried to operate those stockyards through little independent organizations, they never could have handled that traffic for us, and, personally, while I am not unduly favorable to the packer, I see no reason why the packer should not own the stockyards.

The CHAIRMAN. Mr. McClure, who was your predecessor?

Mr. McCLURE. George Walker.

The CHAIRMAN. And who before him?

Mr. McCLURE. Mr. Markham, of New York.

Senator WADSWORTH. You mean W. G. Markham?

Mr. McCLURE. I think so.

Mr. WADSWORTH. I know him very well.

The CHAIRMAN. And who before him?

Mr. McCLURE. I do not know, Senator. The National Wool Growers' Association was organized at the request of the Federal Government in 1864.

The CHAIRMAN. It has been a pretty powerful organization all the while?

(No response.)

Mr. DELFELDER. We have representatives from the American National Live Stock Association who would like to have a few minutes.

The CHAIRMAN. On what subject?

Mr. DELFELDER. On this same subject?

The CHAIRMAN. On the dog?

Mr. DELFELDER. On the dog.

The CHAIRMAN. We will hardly be able to hear him in the limited time at our disposal this morning, but we will be glad to hear him a little later.

I requested Mr. Reid yesterday or a few days ago if he could obtain data as to the cost of producing sheep to the producer, so that we might compare the cost of production with the price obtained current in the market. Mr. Reid you may go ahead and discuss that subject.

STATEMENT OF MR. HANK REID, PUBLISHER OF THE SHEPHERD'S JOURNAL, CHICAGO, ILL.—Resumed.

Mr. REID. In The Shepherd's Journal of March, 1917, was published the first account of the Purdue (Ind.) Experiment Station test on the cost of feeding western sheep under corn-belt conditions. As you Senators do not want to go into all the figures on this at this time, I will just put them in the record if allowed.

The CHAIRMAN. You might state the conclusion and then put the analysis in the record.

Mr. REID. This is written by Prof. F. G. King, the associate professor of animal husbandry of Purdue University.

The CHAIRMAN. Is that the A. M. College of Indiana?

Mr. REID. Yes, sir. Prof. King purchased at the Chicago Stockyards western feeder lambs under as nearly as possible the identical conditions that an ordinary corn-belt farmer would purchase them, and through the ordinary commission houses there, so that it would be just the same all the way through. He fed these feeder lambs in the different customary ways that the farmers in Indiana and similar States were in the habit of feeding them. He found, briefly, that his best average gain was one-third of a pound per day. That it cost, on an average, leading up to February of last year—1917—10 cents a pound for those lambs, feeding them the most economical way known. This 10 cents covers only the cost of feed. Including the wool on some of those lambs (and some were shorn lambs, also), he made a net profit of from 51 cents per head to \$3.22. This does not include labor nor investment charges.

The CHAIRMAN. Including the wool?

Mr. REID. That includes the wool. The lot that made \$3.22 was fed on shelled corn and alfalfa hay.

He had, however, another lot that made \$3.18, which was fed on clover hay, silage, and shelled corn.

To boil this thing down quickly, under present market conditions of the last few years, the cheapest way to feed feeder lambs or sheep is to feed them a couple of pounds of corn silage a day, as much clover hay as they will eat, and about one-third of a pound to a pound of grain, depending wholly on how much they will clean up other than corn. The prices of all feeds since last year have risen about 100 per cent. It is absolutely fair to assume that this cost to-day would be at least 20 cents a pound. The cheapest possible

way that a farmer can feed a breeding ewe over the winter is by means of silage, in the Eastern States, by feeding them 2 or 3 pounds of silage per day, and not over 3 pounds of clover hay, at \$20 per ton, which is half the price now paid, and feeding daily a quarter pound of middlings, oats, or other cheap grain and no other expensive feeds. Then, with the cheapest grain you could buy, this would cost 5 cents per day. That is barely more than a maintenance ration—just enough to keep the ewes in proper condition to have strong lambs.

Senator WADSWORTH. Wheat is the cheapest grain you can feed?

Mr. REID. At the present market price; but, patriotically, a man should not feed wheat.

Mr. DELFELDER. At what price did he buy these lambs and at what price did he sell them—the lambs he made \$3 a head on?

Mr. REID. I am very sorry to say that Prof. King did not give that price per head, the prices merely showing so much per hundred pounds. It did not boil it down as far as it should on that.

Mr. DELFELDER. Do you know how it is possible when a feeder pays 18 cents for feeders and then feeds at a cost of 20 cents a head and then sells at 16½ cents, he could make money?

Senator WADSWORTH. He is speaking of a year ago.

Mr. REID. This was a year ago.

Mr. DELFELDER. Feeders this year were losing \$6 a head.

Mr. MCCLURE. These statistics from the Agricultural College are no good, because the only expense they show is feed, but not taking into account labor, interest, or anything of that kind.

The CHAIRMAN. It is interesting as to the amount of food it takes to carry them and cost of food, that item at least.

Mr. REID. I would like to remark at this time that there have been certain statements made here regarding the value of certain things I have just said that I would like to challenge. I would like to state that Prof. King knows more about feeding sheep than anybody present, including myself.

The CHAIRMAN. The point he made, Mr. Reid, I do not think you got. It was that those figures did not take into account labor or overhead charges.

Mr. REID. That is true. I said at the start that I was giving only feeding costs, not labor nor interest and investment charges. But we have had experiments in Indiana and Illinois and in Pennsylvania that have been extremely accurate on the actual cost of the feed. I think I made it clear I was talking about the cost of feed, not the cost of overhead—just the actual cost of the amount of food that went into the sheep.

Senator NORRIS. Suppose Prof. King had done the same thing this year, how would he have come out?

Mr. REID. I stated specifically it would have cost at least 20 cents a pound more this year for just the feed itself. Will you agree to that, Mr. McClure?

(The article referred to is here printed in full, as follows:)

PURDUE LAMB TEST.

[By Prof. F. C. King, Associate in Animal Husbandry, Purdue University.]

Purdue University Experiment Station has recently completed an experiment to test rations for fattening lambs. The lambs were purchased on a Chicago market at \$10.10 per hundred and average 60 pounds in weight. They have been fed in nine different lots of 25 lambs each. The entire lot of lambs have gained 32½ pounds

per lamb at an average cost of \$10.37 per hundred pounds and have returned an average profit of \$2.20 per head.

One of the most interesting comparisons in the experiment was the influence of clover hay in rations containing corn silage, corn and cottonseed meal. One lot of lambs receiving shelled corn, and corn silage gained a total of 17½ pounds per lamb at a cost of \$15.43 per hundred pounds and returned a profit of 83 cents per head. Another lot of lambs fed a similar ration with clover hay added once every five days gained 28.6 pounds per lamb at a cost of \$10.97 per hundred pounds and returned a profit of \$2.23 per lamb. A third lot of lambs fed all the clover hay they would eat in addition to corn and silage gained 36.5 pounds per head at a cost of \$9.92 per hundred pounds and returned a profit of \$3.18 per head. This confirms four previous trials in the same feed lots in which it was shown that leguminous hay is almost a necessity if satisfactory gains are to be made with fattening lambs with native crops as the basis of the ration.

Two lots of lambs were fed on the same ration—corn, cottonseed meal, silage, and clover hay. Both lots were in open sheds. One pen of lambs was shorn as soon as they had been started on feed. The shorn lambs gained 33.8 pounds per head at a cost of \$10.72 per hundred pounds of gain. The unshorn lambs gained 36.5 pounds per head at a cost of \$9.92 for each hundred pounds of gain. These factors in connection with the difference in selling price resulted in the unshorn lambs returning a considerably larger profit than those shorn when started on the feed.

Farmers of Indiana can grow their own protein if they so desire. Lambs fed a ration of ground soy beans in place of cottonseed meal made as cheap gains as those receiving the meal and sold for practically the same price. Soy beans can be used in place of cottonseed meal for fattening lambs with very satisfactory results.

Lambs fed in open sheds made more rapid gains and acquired a better finish than those fed in barns. This confirms four previous trials in the same lots, showing that under Indiana conditions open sheds furnish sufficient shelter for fattening lambs.

Alfalfa hay was compared to clover hay with the result that the former gave more rapid gains, cheaper gains and returned greater profit in the lambs than the latter. In four trials, two have shown better results with clover hay and two with alfalfa hay. The experiment station at Purdue points out the fact that as between these two hays the difference in feeding values lies largely in the quality of the hay. Well cured hay from either crop produces highly satisfactory and equally good results.

| Ration. | Lot 1: Shelled corn, cotton- seed meal, corn silage. | Lot 2: Shelled corn, cotton- seed meal, corn silage, clover hay (shorn). | Lot 3: Shelled corn, clover hay. | Lot 4: Shelled corn, alfalfa hay. | Lot 5: Shelled corn, corn silage, alfalfa hay. | Lot 6: Shelled corn, cotton- seed meal, corn silage, clover hay (every 5th day). | Lot 7: Shelled corn, cotton- seed meal, corn silage, clover hay. | Lot 8: Shelled corn, ground soy beans, corn silage, clover hay. | Lot 9: Shelled corn, cotton- seed meal, corn silage, clover hay (shorn and fed in barn). |
|--|---|--|--|---|--|---|---|--|---|
| Number lambs per lot..... | 24 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |
| Initial weight..... | 1,443 | 1,503 | 1,480 | 1,470 | 1,491 | 1,492 | 1,489 | 1,445 | 1,475 |
| Final weight..... | 1,862 | 2,347 | 2,340 | 2,386 | 2,355 | 2,207 | 2,401 | 2,373 | 2,803 |
| Total gain..... | 419 | 844 | 860 | 916 | 864 | 715 | 912 | 878 | 828 |
| Gain per lamb..... | 17.5 | 33.8 | 34.4 | 36.6 | 34.6 | 28.6 | 36.5 | 35.1 | 33.1 |
| Average daily gain..... | .145 | .281 | .287 | .305 | .288 | .238 | .304 | .293 | .276 |
| Daily feed eaten: | | | | | | | | | |
| Grain..... | .97 | 1.09 | 1.09 | 1.11 | 1.12 | 1.13 | 1.16 | 1.09 | 1.09 |
| Hay..... | .04 | 1.16 | 1.65 | 1.59 | .95 | .23 | .99 | .96 | 1.05 |
| Silage..... | 1.92 | 1.50 | | | 1.40 | 1.79 | 1.42 | 1.36 | 1.50 |
| Cost of lambs..... | \$158.73 | \$165.38 | \$162.80 | \$161.70 | \$164.01 | \$164.12 | \$163.79 | \$164.45 | \$162.25 |
| Cost of feed..... | 64.66 | 90.47 | 83.50 | 83.51 | 85.09 | 78.46 | 90.43 | 85.67 | 88.45 |
| Dead lambs..... | 7.99 | 8.32 | 8.32 | 8.32 | 8.32 | 8.32 | 8.32 | 8.32 | 8.32 |
| Total cost..... | 231.38 | 264.12 | 254.62 | 253.53 | 257.42 | 250.90 | 262.54 | 258.44 | 259.02 |
| Cost per 100-pound gain..... | 15.43 | 10.72 | 9.71 | 9.12 | 9.85 | 10.97 | 9.92 | 9.76 | 10.68 |
| Value per 100-pounds in feed lots..... | 13.50 | 11.75 | 13.75 | 14.00 | 14.00 | 13.90 | 14.25 | 14.15 | 11.25 |
| Wool..... | | 19.00 | | | | | | | 19.00 |
| Profit per lamb..... | .83 | .96 | 2.69 | 3.22 | 2.99 | 2.23 | 3.18 | 3.09 | .51 |

NOTE.—Final weight in lots 2 and 9 include 57 pounds wool each.

AN EXPERT'S OPINION OF THE PURDUE LAMBS.

[Written especially for The Shepherd's Journal by C. W. Shurte.]

The Purdue University Experimental Agricultural Station has been feeding lambs for several years in various lots in different ways, different feed and quantities, and different manners of feeding. They have demonstrated that silage cheapens the cost of production; that is, the lambs fed on silage in addition to hay, corn, and cotton seed show a larger gain on the cheapest ration. In other words, they show more profit by being fed this way than in any other. They also have found that lambs that are fed without any roughness show the least gain and the least profit. The Purdue University surely deserves a great deal of credit for having made these experiments each year. It has been very educational to the Indiana feeders, and some of our best Indiana feeders went into the lamb-feeding business through the influence of the State University at Lafayette.

However, we are sorry to say, a great many farmers and feeders in Indiana ought to be feeding sheep and lambs who are not doing so, especially since lambs got high. This is especially true of the farmer who bought them in the fall and ran them on grass for a few weeks, and let them come back to market. His method of handling them was a big gamble. If he had good weather, good grass and good water he got a good gain, and if the market was favorable made some money; but if he had bad weather, poor pasture and bad weather conditions, and the market against him, he did not make anything, and considered it poor business. Handling them this way, it is a question of whether or not they ever got any money out of them, but the Purdue people have demonstrated that Indiana farmers can make money feeding lambs. There is no doubt but what it costs the university more to feed lambs than it does any farmer in the State, but they can feed them at a profit after having to buy them at high prices. The practical farmer must not overlook the fact that a great many of the lambs they experiment on do not show much profit, for the reason that in feeding they try to demonstrate the results of feeding in different ways and overlook making big gains. You can not make money feeding lambs on straw or without any roughness at all, so that were their lambs all fed as the lot that took the first prize was they would have made a much larger profit than they did. However, the deal panned out very satisfactorily as it was.

The publisher of The Shepherd's Journal accompanied the writer down to the university to see these lambs judged and market values placed on them, and I think he will agree with the writer that it is very interesting. (He does.) I hope the coming year the Indiana feeders will go to Lafayette by train loads, instead of just a few individuals, to attend the judging.

Mr. McClure. I have a telegram from Colorado stating to-day it is costing 32 to 35 cents a pound to produce a pound of mutton.

The Chairman. I think that is very important to show what it costs to produce a pound of mutton, and what the growers are getting for it, because I think the sheepmen and the cattlemen are all producing at a loss.

Mr. McClure. Our sheep feeders are being bankrupted.

The Chairman. That is a matter of opinion, and I want to get all the facts on which to base that opinion.

Mr. McClure. I am informed this morning that it is almost impossible to get cars to ship stock to market and we are just up against it.

Mr. Reid. I agree with Mr. McClure on his Colorado figures, and to amplify that—although I had intended to bring that out later before Mr. McClure interrupted me, but I will say I was at Kansas City recently. There I heard of several instances from sheep feeders that it had cost them an average in Colorado last winter of 30 cents a pound to feed sheep. I would not doubt, in the least, that the increase as Mr. McClure stated is correct. For once I will agree with that gentleman.

Further, at Kirkland, Ill., we have the largest sheep feeding yards possibly in the world, and Mr. MacQueen the manager told me last fall, that in spite of the fact that they had bought their feeds in car-

load lost and had had a large trade with a number of supply men for years, so that they could purchase in carload lots and in the best possible price that it was costing them to make just a fair profit on their plant, in which there was not much actual capital invested, 8 cents per day per sheep, and that he did not think he was making over 10 per cent net on that proposition. Mr. MacQueen did think that by his methods of feeding it would put as much as half a pound on a lamb per day. The idea in feeding sheep in a yard like that is that when they have been on a long western trip, and in fairly poor condition, is to leave them for 5 or 6 days to 10 days in the yard, letting them rest, and recuperate. After they have rested to feed them up by the heavy grain rations that they will go into the market without shrink. This will just about even up the shrink and put them in practically the same condition that they were in when first put on the cars. And if he puts one-half pound on the sheep per day that way that will cost him 16 cents per pound, that is under the most economical wholesale method. No farmer could possibly buy stuff or handle sheep in quantities and do it so economically.

Mr. McClure. Our average gain in our feed lot only runs 7 to 9 pounds a month. We think we are doing pretty well if we get a gain of 10 pounds a month on a lamb.

The CHAIRMAN. That was his estimate.

Mr. Reid. The very best the Purdue people got on that was one-third of a pound per day.

The CHAIRMAN. Which would be 10 cents per pound?

Mr. Reid. Yes; at feed prices of over a year ago.

The CHAIRMAN. Do you think that is a high showing? That is the point.

Mr. McClure. Oh, yes, sir.

Mr. Reid. That would not be possible on the range?

Mr. McClure. I suppose our average is 7 to 8 pounds per month.

The CHAIRMAN. That is very interesting. Anything you can get on that, Mr. McClure, I would be glad to have you furnish.

Mr. Reid. In our section of the country, where we buy thin western feeder lambs, such as are produced in Utah and the rest of the range country, and bring them into the corn belt or through to the Eastern States and feed them in small lots practical sheep farmers find that the best practice is that we can make 30 pounds gain under most favorable conditions in from 90 to 120 days. That is what I have heard from a number of practical sheep feeders and farmers in the corn belt. But one-third of a pound per day has been the best average I have ever heard of anywhere as a steady feed proposition.

The Department of Agriculture gave me some figures in regard to this matter, and those figures tend to show that sheep, as a rule, do not eat up much of our cultivated crops. According to their figures they will eat about 2.2 per cent of our corn, 1.8 per cent of our oats, 0.6 per cent of barley, 5.1 per cent of all the total crop in our country. In feeding soft corn in the eastern section of the country that soft corn is ordinarily valued at \$1 per bushel when good corn is selling at \$2 a bushel; but we found out unfortunately, that it took 2 to 4 bushels of soft corn to accomplish the same results that we could have accomplished with 1 bushel of good corn. So there was not very much economy in feeding it that way, excepting that if the soft corn was not fed out it would spoil. So that that has raised the cost

of soft-corn feeding. I do not think that corn alone is a good feed for sheep, but we did have them to eat up a lot of our soft corn.

Figuring on that good corn, the eastern farmer sheep feeders figure that it requires at least 3 bushels of corn and plenty of clover hay to fatten a sheep to make 30 pounds in about three to four months if he is handling them that way. If he is feeding sheep more on grain and fattening lambs it will take from 3 to 10 pounds of clover hay and oat straw per day and from one-half pound to 3 pounds a day of grain, not corn—grain other than corn—to produce a fairly fat lamb, say, 85 to 100 pounds. As he feeds this way he will cut down on the hay in the last 8 or 10 days, feeding up to 3 or 4 pounds of grain. So, of course, there is a corresponding reduction there, of the cost of the hay. Clover or alfalfa hay is an absolutely necessary daily ration to make cheap, rapid gains.

In connection with this matter of feeding, there is also a question of a spread in prices in making a gain in weight and coming through in price. There must in lambs or sheep be a spread of at least 4 cents per pound in price if the feeder is to make a profit. I wrote a letter to Mr. Hoover on that, I think, and if that were put into the record it would save time.

(The letter referred to is here printed in full, as follows:)

MARCH 2, 1918.

HON. HERBERT C. HOOVER.

United States Food Administrator, Washington, D. C.

DEAR MR. HOOVER: Acting on your request at our conversation yesterday, I submit some data regarding the relief of the feeder sheep situation, which I thought could be brought about by the establishment of a spread in prices according to weights and ages.

This subject is an interminable one, and if you care to have one of your assistants go into it at length, I would refer him to Market Classes and Grades of Sheep, University of Illinois Agricultural Experiment Station Bulletin No. 129, by Prof. W. C. Coffey, which was written in cooperation with, and with the permission of the Chicago packers, so I presume that its contents met with their approval. Inasmuch as a classification should be practical and meet existing market conditions, I make the above statement advisedly.

Eighty per cent of the feeder sheep in Chicago are of the lamb class; in this class the average thin, western feeder, weighing between 50 and 70 pounds, live weight, is most desired as the kind of feeder best suited for the farmer outside of the range of country to fatten.

"Light, handy weight lambs," according to the Bureau of Markets and the packers, are most in demand, and such lambs will weigh 80 to 100 pounds live weight, dressing 50 per cent. These make only moderately fat lambs, and if, as is common, lambs are bought weighing 60 pounds, the average farmer can, in 90 days, put 30 pounds additional weight on them, making an ideal weight when all practical considerations, including the consumer's desires, are considered.

For some time past, packers have been buying and killing thin, poor stuff in lambs of 70 pounds live weight and under. This is an economic crime. Live weights between 80 and 100 pounds in lambs make a moderately fat animal with the least waste, which is most desirable from every standpoint.

Packers have been paying more per pound for lambs under 70 pounds than they have for moderately fat animals between 80 to 100 pounds, which at present is causing great unrest among the farmers who feed sheep because they are losing from \$1 to \$3 per head in actual money. In a double-deck carload of 300 lambs it makes a direct loss, if the maximum, of \$900 to the farmer, who is being robbed of this amount of money, and under Government license.

If the Food Administration can issue an order making the packers pay a difference of 4 cents per pound in price between lambs weighing 70 pounds and less (feeder lambs), and feeder lambs weighing 80 to 100 pounds live weight, this would have a tendency to restore the balance and make it possible for a farmer to buy a thin feeder with some assurance that he will at least break even 90 days later on his return to market with his reasonably fat stock.

The Chicago cash figures on March sales, dated February 25, show the following prices: Corn, \$1.27½; wheat, \$2.20; oats, \$0.89; barley, \$1.85, and clover hay, \$28 per ton. At present silage is valued at \$6 per ton by the farmer.

According to experiments made in Purdue and elsewhere, the most economical way to feed lambs is to feed them 2 pounds of silage per day, as much clover hay as they can eat, and about a pound of grain other than corn. At present prices this would cost between 5 and 10 cents per day. At the Purdue Experiment Station last year it was figured that the average price per pound put on feeder lambs was 10 cents, and the greatest gain per day average one-third of a pound.

Assuming that the farmer is skillful and economical, feeding about 3 pounds of clover hay, 2 pounds of silage, and 1 pound of oats per day to his lambs, per head, the cost will be at least 5 cents per lamb per day; 90 days making a cost of \$4.50. If his lambs are purchased at 16 cents a pound, as was the average price last fall for feeder lambs, which would net a fair return to the man raising the feeders, and the farmer got the same price per pound, he would have a difference of \$4.80, and the 30 cents would undoubtedly be absorbed in railway fare and feeding. Where farmers have purchased feed they have been losing from \$1 to \$2 per head on such lambs. If the packers were compelled to pay a 4-cent difference, which to-day would put these lambs on the market at 20 cents, the farmer would make, if he raised his feed, from \$1 to \$1.20 per head, and if he bought his feed his loss would be wiped out at \$1 and reduced from one-third to one-half on the other figures.

This is just a start which would tend to minimize 80 per cent of our present feeder troubles. Between June 1 and August 1 this ruling could be suspended, if desired because of mixed market conditions.

Sincerely,

HANK REID,

Publisher The Shepherd's Journal, Chicago, Ill.

WASHINGTON, D. C.

On actual costs per pound, to recapitulate my statements, if you are feeding silage—and that means an investment of \$400 to \$500 in our section for the silo—you can cut feeding costs about 50 per cent, and silage to-day is worth \$6 to \$8 per ton. If the farmer has the cash to put in the silo, it is one of the most economical feeds, as far as it goes. But to produce fat lambs you must feed a certain amount of grain. Corn silage alone will not fatten them. And after the first 30 to 60 days you have got to cut down on the silage and raise up on your grain and clover hay. The most economical amount and the most economical conditions you can feed under at the present time would be three pounds of clover hay per day, two pounds of silage and a pound of grain, not necessarily corn. Corn on the cob runs 70 pounds to the bushel, wheat 60, oats 32, barley 48. At the present we are paying in the eastern section of the country about \$28 per ton for prime clover hay. These figures have been furnished me by the Department of Agriculture for February 25, Chicago cash market. And wheat, of course, is \$2.20. The cash corn is \$1.27½, which is a very low price; oats 89 cents, barley \$1.85. At that rate per pound the cost was 2½ cents per pound for ordinary corn and 1½ cents for shelled; 3½ cents per pound for wheat, 2½ cents per pound for oats, 3½ cents per pound for barley, and 3 cents a pound for hay.

You can take those quantities that I previously gave and figure out the cost of feeding in any part of the country, and you arrive somewhere between 5 and 30 cents per pound of gain just for your feed, depending upon the local costs. As Mr. McClure here said, these figures do not include any overhead. They simply include actual costs of the feed itself.

When we have bought, as we did buy all through the corn belt last year, feeder sheep at an average of 16 cents per pound, and they are brought back into the market and paid for at not any more than that and sometimes less, it is utterly impossible to show a profit.

The CHAIRMAN. It allows a less profit if you put into that the overhead, too?

Mr. REID. And further than that, as a matter of ordinary practice, the usual farmer in buying sheep, buys thin feeder lambs in the Chicago market weighing from 50 to 70 pounds. He knows that he must have a spread of 4 cents a pound between the initial price he pays and the price that he brings the sheep back at, say 100 pounds, to make an average of \$1 per head under conditions existing a year ago. To-day he certainly needs that spread and that price more than ever. So, if you Senators look up a live-stock report and see that where ordinary fat lambs are selling for less than 20 cents a pound at the present time, you will know that the farmer selling them is taking a loss, under Government license.

The CHAIRMAN. They are selling at less than that now, are they not?

Mr. REID. Yes, sir.

Mr. DELFELDER. What would be the purchase price of your lambs to sell at 30 cents and make a profit?

Mr. REID. Last fall the great majority of stuff that was purchased was at the average of 16 cents a pound. I thought I made that clear.

Mr. DELFELDER. The average price was 16 cents a pound?

Mr. REID. Yes, sir. We bought your then range stuff at that, weighing from about 55 to 70 pounds. We usually bring that back in three or four months weighing 80 to 100 pounds, yet to-day the Food Administration says that is too heavy a lamb and so do the packers. They pay more for a 70-pound thin poor lamb than the fat stuff, which is an absolute outrage, looking at it from any standpoint.

Mr. DELFELDER. The average price paid for feeders was about 16 cents?

Mr. REID. Last fall, 1917.

Mr. DELFELDER. These lambs could be on feeds at the price he has quoted and sold at 20 cents and make a profit to the feeder?

Mr. REID. A profit of about \$1 a head net—not all those prices, not if a man got up as high as 30 cents per pound on feed, of course not.

The CHAIRMAN. 30 cents for feed?

Mr. REID. 30 cents just for feed, in Colorado last winter.

Senator GRONNA. Mr. Reid, what is the remedy for all these complaints? Shall we fix prices for the farmers' grain and reduce them so that it is possible for the feeders of sheep and the feeders of hogs to be able to fatten these sheep and hogs at a rate to be compensatory?

Mr. REID. I think we ought not to rob one man to put it into another man's pocket. I do not care how you want to work that out. We have no right to rob the farmers for the benefit of the packers, and we have no right to rob one class of farmers for another class, nor have we a right to rob anybody. I think every man is entitled to a fair, legitimate profit, but the trouble now is that under Government supervision the Government is a party to the taking of this money out of the farmers' pockets. If the Government will function, then we could get somewhere. The Government is not functioning; they are allowing these outrages to continue, and they are not doing anything about it.

Mr. DELFELDER. Who is bearing the loss at the present time, the sheep feeder or the farmer?

Mr. REID. Our eastern farmers are bearing the loss, but you fellows in Colorado who have fed out there at 30 cents this winter

certainly were getting it; you were worse off than we were, because we have silage, which cuts down our feeding costs 50 per cent.

Mr. DELFELDER. We are not standing it as a rule; it is our creditors who are standing it.

Mr. REID. To continue, Senator Gronna, I think that the whole thing is purely a question of administration. The Government ought to step in and see to it that the packers are compelled to pay a fair price. In fact, the way it is under the Government license, I presume it is the Government that has the most to say.

Senator NORRIS. In other words, the packers are paying what the Government tells them to pay?

Mr. REID. Under the law, according to what you Senators tell me here, that is true; I do not doubt it.

The CHAIRMAN. Do you not think it is better in the long run for the consumer to pay enough?

Mr. REID. The consumer is not getting any benefit. He is being robbed both ways. Nobody can show me where the consumer has got the least bit of benefit in the last six months on these prices, nor can it be shown now.

Senator GRONNA. Mr. Reid, is not the great danger in this, that we are trying to do things and have utterly failed, and the probability is it will tend to still lessen the production, and instead of cheapening the product to the consumer it must necessarily go higher?

Mr. REID. I believe we will have famine conditions in a few months if something is not done very speedily.

The CHAIRMAN. You were relating to me an incident of some of our Jewish friends who turned loose a hose filled with gasoline to put out the fire.

Mr. DELFELDER. Yes, sir.

The CHAIRMAN. Do you not think that is a pretty wise policy?

Mr. DELFELDER. In this case I think it would be.

The CHAIRMAN. That is what the Government is doing, and I will use that very illustration that if we put down the cost of wheat when the house is afire we are going to turn on that kind of a hose to put it out.

Mr. McCURE. I rather take it from some of the questions that there will be an effort made to show that our National Wool Warehouse & Storage Co. is controlled or operated by the packers. That Wool Storage Co. is the finest institution that was ever established in America. It has done more for the sheep industry of this country than the United States Department of Agriculture, and we have been struggling along with it trying to keep it alive and trying to market our wool. I think that before anything of this kind comes out you should give us the privilege of allowing the president of the National Wool Warehouse & Storage Co. to come before this committee and explain the manner of its organization and the way in which it is operated.

The CHAIRMAN. Mr. McClure, I do not think that is material. I do not think anything in the evidence will make that necessary.

Mr. McCURE. And if the effort should be made to show, without contradiction, that the packers control the warehouse, we would like the opportunity of having our president explain it to you. Of course, Mr. Chairman, we have nothing to conceal about it.

The CHAIRMAN. You have that right, not the privilege.

Senator GRONNA. Are you asking that for the purpose of vindicating the packers or of vindicating the warehouses?

Mr. McCLURE. For the purpose of vindicating our warehouses. We do not care anything about the packers. We want to keep this warehouse and keep it in good condition with the growers, as it now is.

Mr. REID. Something was said here about dogs. I will not get into that subject more than to say that if the Senators did place a tax of \$1 a head on dogs and it was spent only through the Biological Survey of the Federal Government to the eradicating of wild animals by the Biological Survey alone, not as a bounty system, I believe it would solve the problem; and further, I want in all seriousness to state that if such a law were contemplated and passed, that a similar tax ought to be put upon cats. That might seem funny; but, Senator Wadsworth, New York State, for example, has 3,000,000 birds killed every year by cats.

Senator WADSWORTH. You mean birds?

Mr. REID. Yes, sir.

Senator WADSWORTH. How was that number ascertained?

Mr. REID. It is really a serious problem, and, further than that, if the committee would either get Dr. Fisher or Dr. Nelson in here to tell you about their work briefly, I believe it would be of extreme value. But Mr. Delfelder made a statement here which I want to challenge, when he said there was a wool shortage in this country. The Department of Agriculture and the Bureau of Markets and the United States Tariff Board tell me we have more clothing wool than we can use in the next 18 months, and I believe Mr. McClure told me we had about one-half of the world's visible supply of wool in the United States at the present time.

Mr. McCLURE. The estimate of the United States.

Mr. REID. And I think, without wishing to doubt any one's accuracy, owing to the War Department's very foolish action in debasing our wool standards, which they have had to rectify, the fact that the manufacturers of this country, who have never put very much wool in some of their clothing, are now actually putting in none at all in many grades. They have created an artificial condition by which we have a whole lot more wool in this country than we have any idea of and, incidentally, while talking about improving things, I believe we ought to have passed a pure fabric law. Further, the average man's suit weighs 5 pounds; overcoat 8 pounds. This includes everything. If all wool, that much abused term—5 pounds at 60 cents equals \$3, 8 pounds equals \$4.80. If all cotton—5 pounds of cotton at 30 cents equals \$1.50; 8 pounds equals \$2.40. Supposing you have a shrink of 100 per cent, which you don't, the farmer is getting a mighty small part of the retail value of a \$40 suit or overcoat. A pure fabric law is a good war time measure; it's too bad the price the farmer gets for raw wool or cotton could not be put on each suit or overcoat, then the city man might wake up as to who gets his money.

Mr. DELFELDER. I said there was a shortage in production, which I still maintain; as to the wool supply I have nothing to say.

The CHAIRMAN. I want to say that beginning Monday we will have some more very interesting witnesses here, also Tuesday and Wednesday, among whom are Mr. Wallace, of Wallace's Farmer, Mr. Burke, of Omaha, and perhaps a grain man from Minneapolis.

(Thereupon, at 12.20 o'clock p. m., the committee adjourned to meet at 10.30 o'clock a. m., on Monday, March 11, 1918.)

INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

MONDAY, MARCH 11, 1918.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,

Washington, D. C.

The committee met, pursuant to call of the chairman, at 11 o'clock a. m., in the committee room, No. 326 Senate Office Building, Senator Thomas P. Gore presiding.

Present: Senators Gore (chairman), Smith of South Carolina, Sheppard, Ransdell, Thompson, Page, Gronna, Norris, Kenyon, and Wadsworth, jr.

The CHAIRMAN. I have asked Mr. McClure, whom we had with us a few days ago, to make an additional statement to the committee, and he will now proceed.

STATEMENT OF MR. S. W. McCLURE, SECRETARY NATIONAL WOOLGROWERS' ASSOCIATION—Resumed.

Mr. McCLURE. I desire to appear before this committee as a representative of the sheep industry and particularly on behalf of the sheep feeders of the United States, who are to-day losing large sums of money on their feeding operations.

About 65 to 70 per cent of the sheep in this country are owned in the territory west of the Missouri River. In that section the sheep are handled in a large way, and the men who own them make sheep raising a special business. These western ewes drop their lambs in the period from February to June. The lambs are marketed as a rule at 4 to 6 months of age. In some sections these lambs come in from the ranges and are shipped to the markets for sale. The packers then purchase the fat end of each shipment and slaughter them. But in each lot there is always a larger or smaller per cent of lambs too thin to kill, and these are known as feeders. These thin lambs are bought by the farmers or sheep feeders, shipped to their farms, and fed on grain and hay for a period ranging from 60 to 120 days, or until they are fat.

In other sections of the West, where the range is too poor to fatten a lamb, the lambs are practically all feeders. This applies to parts of New Mexico, Wyoming, Texas, and Montana lambs. As a rule these lambs are not shipped to the central market, but are purchased on the range from the sheepman by the feeder or some one who sells to the feeder. Such lambs are sent direct to the feed lot to be finished. Probably half the lambs that are fed belong to this latter class. The feeder may be a farmer, or, more likely, a man who buys not only the lambs, but all the feed that goes into them. As a rule

these lambs are fed alfalfa hay, corn, and linseed or cottonseed meal. The western lamb crop this year was very short and the expense of producing the lambs was the highest in history, and even at the high prices at which feeder lambs sold the producer of the lamb did not make a cent. The feeders paid for these lambs prices that ranged all the way from 14 to 18½ cents per pound. By reason of the short crop the packers were killing thousands of thin lambs that should have been fed, so in order for the feeder to get his feeding lambs he had to compete with the packer for many of them. As lambs had sold in Chicago in the spring of 1917 up to \$20.50 per hundred the feeder had every reason to anticipate a higher market in 1918. Probably these feeder lambs cost the feeder an average of near 16 cents per pound. Feeds of all kinds were abnormally high, corn costing in the West \$64 per ton, hay up to \$20 per ton, and meal up to \$64. A feeder lamb usually gains 7 or 8 pounds per month while on feed.

The cost at Fort Collins to-day of producing a pound of lamb in feed alone is around 30 cents, and when to this is added the other costs of feeding I am satisfied the total cost is around 35 cents to produce a pound of lamb. For the past 60 days these fed lambs have been selling in Chicago at from 15½ to 17 cents per pound. These lamb feeders are therefore losing an average of \$3 per head. This in spite of the fact that the Food Administration constantly urged an increased production of the stock, assuring producers a reasonable profit. Our sheepmen are of the opinion that these losses have come to them largely as a result of unwise regulations of the Food Administration and the public agitation against the use of lamb.

There is some data I left at the hotel which I ought to have with me. I do not want to take up your time but just for a moment.

Senator KENYON. Did you not testify to all this the other day?

Mr. McCLURE. Just briefly. The average that is being paid for fat lambs, I think, is about \$16 to \$17.

One point I wanted to discuss is that immediately after the appointment of the Food Administration they started a campaign in the United States to conserve lambs, and throughout the whole country there was a vigorous campaign to prohibit the slaughter of lambs. The public was advised not to eat lamb, and as a result of that advice they did quit eating lambs to a large degree. The National Woolgrowers' Association presented the matter to the Food Administration as fully and as frequently as it could. There were some modifications made in the order of the administration regarding lambs. Still the propaganda continued. Then, along in January, the Food Administration found, I think, that there were more lambs in the country than could be consumed, and it modified its order as to eating lamb on Tuesday in six western States; that is, in January, they gave notice in six western States that they could consume lamb on Tuesday. That did not help matters much, because we do not eat a great deal of lamb out there. It was not the territory we wanted released. We kept protesting about the thing, and I think on the 22d of February—

Senator GRONNA (interposing). Do you think that was the reason for the modification?

Mr. McCLURE. I think probably it was. The Food Administration again issued a new order permitting the use of lamb on Tuesday in all that territory west of the Mississippi River.

The CHAIRMAN. What was the date of that?

Mr. McCLURE. February 22. But still they did not release the lamb-eating territory. I should say that approximately 80 per cent of the lambs in the United States are consumed east of Chicago New York, Baltimore, Washington, Boston, and Philadelphia are the big lamb-consuming cities. They were not released in this order of February 22, and on March 1 the Food Administration issued another order by which it permitted the use of lamb in the entire United States on Tuesday.

I have a statement here from the United States Department of Agriculture, showing that the feeders have put their lambs in the feed lots, fed them on high-priced grain for a considerable period of time, and then turned them out on the range again. That was very generally done throughout the West.

The CHAIRMAN. Will you put that statement of the Department of Agriculture in the record?

Mr. McCLURE. I will be glad to do that.

(The statement referred to is here printed in full as follows:)

CATTLE AND SHEEP ON FEED IN ARKANSAS VALLEY, COLO.

ROCKYFORD, COLO., February 6,

The representative of the Bureau of Markets stationed at Rockyford, Colo., reports that in January 2,100 sheep and 1,261 cattle were brought into the Arkansas Valley and placed in feed while 14,388 sheep and 3,453 cattle were moved out, leaving a total of 117,984 sheep and 19,909 cattle on feed in that district. Although the report shows a very small movement of stock, either of feeders entering the valley or of finished animals moving to market during the month of January, the bureau's representative notes that some feeders are taking cattle or sheep off feed to rough them through the winter, or to remove them to range sections where they will be turned on grass in the spring. Some of the sheep feeders are cutting out their ewe lambs and feeding them enough to carry them through the winter and furnish a good shearing of wool in the spring, after which they will be run through the summer and used for breeding purposes. All this is a result of the high prices paid for feeders last fall, the high price of feeds, and the lack of confidence in the present market outlook. Many of the feeders throughout the valley are said to face substantial losses on the basis of the present market prices for fat lambs and cattle.

I have a telegram here from the Northern Colorado Sheep Feeders' Association, that I received the other day. It says:

FORT COLLINS, COLO., February 16.

F. J. HAGENBARTH,

Salt Lake City, Utah:

Two hundred fifty farmers (lamb feeders) at mass meeting here to-night urge you and your association to use your best influence with your Congressman and Senators and the Food Administration to abolish meatless day regulation and allow free consumption of lamb. Colorado feeders are losing \$3 per head. If market does not improve or relief come range lambs will depreciate 50 to 60 per cent. Get busy by wire.

NORTHERN COLORADO SHEEP FEEDERS ASSOCIATION.

Senator KENYON. Do you not think there is any wisdom in stopping the killing of lambs?

Mr. McCLURE. No, sir.

Senator KENYON. You think they ought to go on and kill them?

Mr. McCLURE. Oh, sure, because, Senator, there are 50 per cent of our lambs which are wether lambs, and they are not good for anything except meat, and the class of lambs we raise is not fit to grow into an old sheep, that is, it is a lamb bred to be slaughtered sometime between four and six months of age.

Senator KENYON. Do you think that same thing applies to calves?

Mr. McCLURE. You take the bulk of your calves slaughtered and they are dairy bred, and after retaining sufficient to replenish the dairy herds, it would seem to me almost a crime to feed the balance high-priced feed.

The CHAIRMAN. I was reading a statement a day or two ago that it requires from 7 to 9 quarts of milk per day to carry a calf from 7 days old until 30 days old, and that the milk necessary to feed the calf would be worth more than the meat put on it.

I was also examining the report of the loyal commission of Great Britain the other day, and I saw that from 7 months to 30 months the feed was worth more than the beef put on the animal.

Mr. McCLURE. I think that is correct.

The CHAIRMAN. Some one suggested here—probably Senator Wadsworth remembers about it—that when this lamb question was raised last summer some one demonstrated to my satisfaction that the last 25 pounds put on the lamb cost more than the first 25 pounds.

Mr. McCLURE. The ideal period at which to slaughter a lamb is between 4 and 6 months of age. Up to that time he has been raised largely on his mother's milk and his meat has the flavor which is peculiar to lamb. After we wean him and he gets to eating grass he becomes mutton, and there is very little demand in this country for mutton, unless it has been finished on grain. The American people do not want mutton, and they only eat a very limited amount of it. So, if we are not allowed to slaughter these lambs at a period when the public wants to eat lamb it means that we carry them over to a period when they become of much lower value.

Senator WADSWORTH. Incidentally, Mr. McClure, you have not got the grass to carry them?

Mr. McCLURE. No. Our western country is fully stocked with sheep. In this country about 70 per cent of the lamb is raised in the territory west of the Missouri River. We have not grass to carry another sheep.

The CHAIRMAN. You could raise another 75-pound lamb for what it would cost to put another 25 pounds on it?

Mr. McCLURE. Suppose we keep the ewe lamb. Then we have to market its mother. The ewe lamb is not a producer until it is 2 years old, and then it only produces about 50 per cent of what the aged ewe would do. So, it is economically unsound to carry over a lamb unless absolutely needed to replenish the flock.

The lambs we keep to replenish the flock are a very different breed and different kind entirely from the lambs we produce for the market. Our market lamb is ordinarily a black-faced ram crossed with the merino ewe. Such lambs only live a short period, and they are not a desirable sheep to carry over in the West. The sheep we carry over out there is a cross between the English long-wool sheep and our merino. That gives us a half-blood merino ewe. This ewe we breed to the black-faced ram, and that is where we get our fat lambs; it is entirely wrong to continue this lamb conservation. This country does not export lamb. The total meat purchased by the Navy is only 5 per cent lamb, which is an insignificant quantity. So we think we have as much lamb in this country as we can consume.

Here is another telegram from Colorado. It says:

FORT COLLINS, COLO., *February 25.*

S. W. McCLURE,

Hotel Raleigh, Washington, D. C.:

There are 650,000 lambs yet in northern Colorado. Corn is worth \$64 per ton; linseed meal the same; alfalfa, worth \$20 per ton in stack, costing 35 cents per pound to make gain. Nothing less than 20 cents per pound would let us break even.

NORTHERN COLORADO SHEEP FEEDERS ASSOCIATION,
W. A. DRAKE, *President.*

At the time that telegram was sent lambs were selling on the market at 16½ cents a pound, average.

I have another message from there this morning, indicating that in addition to the troubles that they are having as to the low price of lambs, they are not able to ship them even when they want to. The telegram is from Senator Drake, of the Northern Colorado Sheep-breeders' Association, and it says:

FORT COLLINS, COLO., *March 10.*

S. W. McCLURE,

Raleigh Hotel, Washington, D. C.:

Lambs are eating 1½ pounds of corn and 2 pounds alfalfa per day; average gain per month, 6 pounds. Held lambs last week at Fremont, Nebr., three days waiting for cars. Union Pacific will not furnish cars east of river. Had to sell four loads in Omaha. Lambs that went on to Chicago netted \$1.80 per head more than an even cut of same lambs sold in Omaha. Fed lambs will all be marketed by June 1 if cars can be had. See to it that Chicago & North Western Railway and the Milwaukee Railway furnish cars east of the river.

W. A. DRAKE.

The car situation is mighty bad, and seems to be getting worse. You read the dispatches in the daily press, and you are led to believe these trains are being moved a mile a minute. As a matter of fact, stock feeders all over the country are unable to get stock cars, and have been unable to get cars since very early in December, and a man who is feeding lambs now at the present price of grain must get them off his hands; he can not continue to feed them.

The CHAIRMAN. Where were those lambs loaded that were held in Nebraska?

Mr. McCLURE. They were loaded at Fort Collins, Colo., and sent down to Fremont.

The CHAIRMAN. Do they have to change cars at Fremont?

Mr. McCLURE. They are unloaded and fed at Fremont under the 36-hour law.

The CHAIRMAN. And then they could not get cars from there on?

Mr. McCLURE. The railroad would not furnish him cars east of the Missouri River, so he just had to sell his lambs in Omaha. I suppose the speculator held them a few days and finally got cars to send the lambs in, and in that way he was enabled to make \$1.80 a head on them in Chicago.

Senator SMITH of South Carolina. Why would not the railroad furnish that man cars?

Mr. McCLURE. Our western railroads do not want their cars to go on other lines, because it puts them out of their use.

Senator SMITH of South Carolina. I thought it was not a question of what you people wanted, but a question of what the Director General wants?

Mr. McCLURE. That car has got to go back to pick up more lambs at Fort Collins. The other lines are now supposed to furnish cars when they arrive at Omaha.

Senator NORRIS. The railroads are now under the control of the Director General, and there ought to be no question about allowing one car of one railroad to go on the tracks of another road?

Mr. McCLURE. I would not think so, but W. P. cars are not supposed to go off their line. We have been fussing about cars all winter, and in this recent discussion between Mr. Hoover and Mr. McAdoo, Mr. McAdoo published a statement that Mr. Hoover had told them not to furnish stockmen more than 75 per cent of the cars they ordered, and I think there is no question but what the Food Administration did issue the order to the railroads.

The CHAIRMAN. Do you suppose you could get a copy of that order?

Mr. McCLURE. A man in the Food Administration told me they had issued it, and the Washington Post said that Mr. McAdoo charged them with having issued such an order to him.

Senator NORRIS (interposing). Right there, Mr. Hoover has not any authority to tell Mr. McAdoo what cars he shall furnish. Do you not understand that Mr. McAdoo has authority to direct the railroads to furnish the cars, and not Mr. Hoover?

Mr. McCLURE. He is supposed to have.

Senator NORRIS. How could Mr. Hoover tell the railroads not to furnish the cars?

Mr. McCLURE. Mr. McAdoo says Mr. Hoover did issue the order not to furnish the cars.

The CHAIRMAN. Was this order issued before Mr. McAdoo assumed control of the railways, or afterwards?

Mr. McCLURE. Oh, afterwards; and a gentleman in the Food Administration told me they had issued such an order.

Senator NORRIS. It was not an order, I suppose, but rather a request?

Mr. McCLURE. Probably so.

Senator GRONNA. I had a complaint from some of my people that they have been unable to get cars to ship any feed and seed, and I sent that letter, together with my own letter to the authorities here, and I got a reply that they were not aware of any car shortage; in fact that there had been no complaint made by the railroads to them here; that they had not stated they were refusing cars. I sent this letter to my correspondent and told him I was very sorry that I had to send such a letter as that to them, because it contained no information, and that it was evidently written by a man who knew nothing about the railroad business. I do not know how they will take it, but it simply goes to show that the people who are handling the railroad matters are not trained railroad men. I think it preposterous to say that they should wait for a complaint from the railroads.

Mr. McCLURE. There is another matter I would like to speak of. The stockmen of the country are very generally of the opinion that the Food Administration has told the packers not to pay us any more for live stock than they are paying. We did not like to believe that that was true until sometime ago it seems that somebody found a copy of a report that Mr. Durand, in charge of the meat department of the Food Administration at Chicago had stated to the packers that they were not to increase the price of live stock. If such is actually the fact, somebody has committed a very great wrong against our stock industry, because the Food Administration and the United

1. The first part of the document is a list of names and titles, including "The Hon. Mr. Justice" and "The Hon. Mr. Justice".

2. The second part of the document is a list of names and titles, including "The Hon. Mr. Justice" and "The Hon. Mr. Justice".

3. The third part of the document is a list of names and titles, including "The Hon. Mr. Justice" and "The Hon. Mr. Justice".

4. The fourth part of the document is a list of names and titles, including "The Hon. Mr. Justice" and "The Hon. Mr. Justice".

5. The fifth part of the document is a list of names and titles, including "The Hon. Mr. Justice" and "The Hon. Mr. Justice".

6. The sixth part of the document is a list of names and titles, including "The Hon. Mr. Justice" and "The Hon. Mr. Justice".

7. The seventh part of the document is a list of names and titles, including "The Hon. Mr. Justice" and "The Hon. Mr. Justice".

8. The eighth part of the document is a list of names and titles, including "The Hon. Mr. Justice" and "The Hon. Mr. Justice".

9. The ninth part of the document is a list of names and titles, including "The Hon. Mr. Justice" and "The Hon. Mr. Justice".

10. The tenth part of the document is a list of names and titles, including "The Hon. Mr. Justice" and "The Hon. Mr. Justice".

Senator GRONNA. Mr. Chairman, do you think we have any right to inquire into the secrets of this fixing of prices?

The CHAIRMAN. The committee has a good deal of curiosity, and ought to have the right and the power.

Senator KENYON. What is the Food Administration's idea that the packers should have as profits?

Mr. McCLURE. Nine per cent, or $2\frac{1}{2}$ per cent on gross sales.

Senator KENYON. Nine per cent on what?

Mr. McCLURE. On their investment, and it shall not exceed $2\frac{1}{2}$ per cent on gross sales; that is, on the meat business. On certain by-products and other industries they are allowed to make a profit of 15 per cent.

The CHAIRMAN. That is one-third of the animal?

Mr. McCLURE. I think on certain by-products where not more than 25 per cent of the value is represented by the value of the animal, they are allowed to make 15 per cent.

Senator KENYON. Do you think that 15 per cent is necessary to insure their patriotism?

Mr. McCLURE. That is a pretty big profit.

Senator KENYON. Do you not think the thing for the Government to do is to take the packing plants and run them during this war?

Mr. McCLURE. I said the other day I did not see any objection to the packer owning our stockyards. I do not. The packer has everything connected with live stock now under his control.

Senator KENYON. Do you mean everything in the Nation?

Mr. McCLURE. No; relating to the live stock business.

The CHAIRMAN. You would not include the Food Administration in that? [Laughter.]

Senator KENYON. I did not intend that at all.

Mr. McCLURE. Let us have real supervision of the whole packing interests, not only during the war but afterwards.

Senator NORRIS. I favor taking over all these packing establishments by the Government, but I am up against the proposition that the same men who would run the packing plants, if we took them over, are the same men who are compelling the owners to run them so and so. Therefore, how could the Government get any relief?

Mr. McCLURE. There must be relief somewhere.

Senator NORRIS. If that would give the owners the same profit they make now, we would not get any relief.

Senator KENYON. Then you might as well admit that the packers are greater than the Government.

Senator NORRIS. You might as well admit that the Food Administration are running the packers.

The CHAIRMAN. That is the question, whether the Food Administration is running the packers or whether the packers are running the Food Administration, and whether the packers are buying stock at less than it is worth with the Food Administration's approval. I am inclined to think that the evidence is going to prove that.

Senator NORRIS. That letter indicates they are not only doing it with the consent of the Food Administration but under direct command.

The CHAIRMAN. Yes; I think there will be more evidence before this hearing is over. I would like Mr. McClure to discuss that 15 per cent profit.

Mr. McCLURE. That is very thoroughly covered in the regulations here, which is a rather long publication.

The CHAIRMAN. Could you say about what per cent of the animal would yield the 9 per cent and what per cent of the animal would yield the 15 per cent? That would vary, I presume, with cattle and hogs?

Mr. McCLURE. Ninety per cent probably would yield the 9 per cent. Only certain classes of by-products can yield the 15 per cent.

Senator SMITH of South Carolina. That refers to what kind of live stock?

Mr. McCLURE. The different rates of profit apply to different products.

Senator SMITH of South Carolina. Taking cattle, hogs, and sheep?

Mr. McCLURE. Sheep, 90 per cent would yield 9 per cent; and 10 per cent would yield 15 per cent.

The CHAIRMAN. Would not that be true of cattle, about 60 per cent?

Mr. McCLURE. Cattle dress out about 60 per cent, which is pretty high; hogs around 75 to 80 per cent—sheep 55 per cent but some of the by-products would pay 9 per cent.

The CHAIRMAN. You say 9 per cent applies on the capital stock on the meat part and 15 per cent on the by-products. I do not see how you can enforce a different percentage on capital stock. Should you not take the stock as a whole?

Mr. McCLURE. I do not either, but the Food Administration have issued a lot of rules and regulations in which they specifically cover the manner in which that is to be done. I do not know how they are going to apportion it.

The CHAIRMAN. Swift & Co's. total overturn last year was \$885,000,000, and 2½ per cent of that is \$22,000,000.

Senator NORRIS. What was the turnover last year on capital stock?

Mr. McCLURE. Their capital stock is \$100,000,000; their surplus is \$59,500,000. Their earnings were almost \$35,000,000.

The CHAIRMAN. That is for 1917?

Mr. McCLURE. Yes, sir.

Senator NORRIS. What per cent is that?

Mr. McCLURE. Thirty-five per cent on capital stock; about 23 per cent on capital and surplus.

Senator NORRIS. That would be about what per cent?

Mr. McCLURE. About 23 per cent on capital and surplus.

Senator SMITH of South Carolina. Why should they figure any interest on surplus?

Mr. McCLURE. They should not.

Senator SMITH of South Carolina. Surplus is a part of the earnings which come out of previous earnings; that is compounding.

Mr. McCLURE. Their net profit was \$24,650,000, accumulated after a considerable volume of money had gone to pay dividends on bonds and stocks.

The CHAIRMAN. In addition to this 23 per cent on capital and surplus, was there any stock issued?

Mr. McCLURE. I do not know. I have all the figures. I will just submit Mr. Swift's statement, which shows the whole transaction.

228 INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

The statement referred to is here printed in full, as follows:

Swift & Co. Year Book—Balance sheet, Sept. 30, 1917

FINANCIAL STATEMENT

| | |
|--|-------------------------|
| Resources: | |
| Cash..... | \$1,292,056.63 |
| Accounts receivable..... | \$2,265,714.16 |
| Inventory..... | 120,935,778.64 |
| Stocks and bonds..... | 39,716,466.88 |
| Real estate and improvements, including branch houses..... | 55,170,507.20 |
| | <u>\$106,380,523.51</u> |
| Liabilities: | |
| Capital..... | 100,000,000.00 |
| Surplus..... | 59,965,000.00 |
| Special reserve..... | 10,000,000.00 |
| General reserves..... | 6,458,542.05 |
| First mortgage 5 per cent bonds - | |
| Issued..... | \$33,370,000.00 |
| Less—redeemed..... | 1,776,500.00 |
| | <u>31,593,500.00</u> |
| Bills payable..... | 70,211,560.00 |
| Accounts payable..... | 23,757,002.71 |
| Accrued dividend and bond interest..... | 4,304,918.75 |
| | <u>\$106,380,523.51</u> |
| Profit and loss: | |
| Dividends paid..... | 10,000,000.00 |
| Added to surplus..... | 24,650,000.00 |
| | <u>34,650,000.00</u> |

We have examined the accounts and records of the company for the fiscal year ending September 29, 1917, and hereby certify that the foregoing balance sheet is in accordance therewith, and is drawn up to exhibit the true condition of the company's affairs at that date.

We also certify that the net profits, for the year, after providing for interest on bonds, amount to \$34,650,000, as shown in the above profit and loss account.

ARTHUR YOUNG & Co.,
Certified Public Accountants

CHICAGO, December 27, 1917

The CHAIRMAN. Have you got it for Armour and Morris and Wilson?

Mr. McCLEURE. I may have. Swift handles most of the lambs, and he is the one we pay most attention to.

The CHAIRMAN. He handles most of the lambs in the country?

Mr. McCLEURE. Thirty-five per cent of all the lambs.

Senator GRONNA. I understand there is a subsidiary company which handles some of the by-products, we will say hides?

Mr. McCLEURE. They have wool-pulling establishments, hide-tanning establishments, and soap plants, etc.

Senator GRONNA. I have understood the price of hides has gone down very much recently?

Mr. McCLEURE. Yes, sir.

Senator GRONNA. What is the reason for that?

Mr. McCLEURE. The Government down here fixes the price of hides, and we never know why. Mr. Brooking, of the Council of National Defense, told them he had fixed the price of hides at 30 cents until a certain day, when it becomes 34 cents. They went on and fixed the price of leather and then fixed the price of shoes, so far as the

Government was concerned. We did not know anything about that, however, until Mr. Tomlinson and I were down there the other day.

The CHAIRMAN. Could you attach that regulation to your statement?

Mr. McCURE. He just gave us that information in conversation. I presume he issued the regulation.

The CHAIRMAN. I wanted to see what the relation was between the price of hides and shoes.

Senator SMITH of South Carolina. Mr. McCure, before you get away from this subject of per cent on capital stock, I want to ask you if the figures you are going to submit from Swift & Co. represent the transactions of that company under the rules and regulations you have read?

Mr. McCURE. Oh, no; that was for 1917. You see, these rules and regulations went into effect November 1, 1917.

Senator SMITH of South Carolina. I was just curious to know whether they had made these earnings under those regulations.

Mr. McCURE. No, sir; under the regulations, they will probably earn somewhat less than that.

Senator WADSWORTH. Prior to November 1, and during the year 1917, they paid a much higher price for live stock than they are paying now?

Mr. McCURE. Oh, yes; the decline in live stock seems to have had some connection with about the time that the Food Administration began to regulate things down here.

The CHAIRMAN. Could you prepare a schedule showing tendency of prices at that time?

Mr. McCURE. Yes, sir. But so far as sheep are concerned, that is about the season when the sheep begin to go up. Our highest period for sheep is March and April. Last year sheep got up to \$20.60 a hundred in the spring. This year they have not been advancing.

The CHAIRMAN. Do you suppose that is because of this benevolent control?

Mr. McCURE. Yes, sir. We have been holding these lambs with the idea that they were going to follow the natural course they always have, and advance as the season advances, but they do not seem to be doing that. However, I want to say this: That since they removed this restriction about eating lamb they have gone up \$1 a hundred. There have been some lambs, I presume, only a load, sold in Chicago at \$18.05 a hundred recently.

The CHAIRMAN. You think there was a response to the lifting of the order?

Mr. McCURE. Oh, yes; I think this is true. I do not want to be classed as a bolsheviki because I make this statement: This country has an enormous supply of beef and mutton. I doubt if we are going to be able to consume it, and this agitation against the use of beef and lamb, it seems to me, is entirely uncalled for.

Senator GRONNA. I have been told there was a tremendous shortage.

Mr. McCURE. Of course, this is true about discouraging production. The fellow in the business can not quit. I lost about \$1,500 or \$1,600 in the sheep business last year on my little farm. I could not quit on that account.

these lambs are fed alfalfa hay, corn, and linseed or cottonseed meal. The western lamb crop this year was very short and the expense of producing the lambs was the highest in history, and even at the high prices at which feeder lambs sold the producer of the lamb did not make a cent. The feeders paid for these lambs prices that ranged all the way from 14 to 18½ cents per pound. By reason of the short crop the packers were killing thousands of thin lambs that should have been fed, so in order for the feeder to get his feeding lambs he had to compete with the packer for many of them. As lambs had sold in Chicago in the spring of 1917 up to \$20.50 per hundred the feeder had every reason to anticipate a higher market in 1918. Probably these feeder lambs cost the feeder an average of near 16 cents per pound. Feeds of all kinds were abnormally high, corn costing in the West \$64 per ton, hay up to \$20 per ton, and meal up to \$64. A feeder lamb usually gains 7 or 8 pounds per month while on feed.

The cost at Fort Collins to-day of producing a pound of lamb in feed alone is around 30 cents, and when to this is added the other costs of feeding I am satisfied the total cost is around 35 cents to produce a pound of lamb. For the past 60 days these fed lambs have been selling in Chicago at from 15½ to 17 cents per pound. These lamb feeders are therefore losing an average of \$3 per head. This in spite of the fact that the Food Administration constantly urged an increased production of the stock, assuring producers a reasonable profit. Our sheepmen are of the opinion that these losses have come to them largely as a result of unwise regulations of the Food Administration and the public agitation against the use of lamb.

There is some data I left at the hotel which I ought to have with me. I do not want to take up your time but just for a moment.

Senator KENYON. Did you not testify to all this the other day?

Mr. McCLURE. Just briefly. The average that is being paid for fat lambs, I think, is about \$16 to \$17.

One point I wanted to discuss is that immediately after the appointment of the Food Administration they started a campaign in the United States to conserve lambs, and throughout the whole country there was a vigorous campaign to prohibit the slaughter of lambs. The public was advised not to eat lamb, and as a result of that advice they did quit eating lambs to a large degree. The National Woolgrowers' Association presented the matter to the Food Administration as fully and as frequently as it could. There were some modifications made in the order of the administration regarding lambs. Still the propaganda continued. Then, along in January, the Food Administration found, I think, that there were more lambs in the country than could be consumed, and it modified its order as to eating lamb on Tuesday in six western States; that is, in January, they gave notice in six western States that they could consume lamb on Tuesday. That did not help matters much, because we do not eat a great deal of lamb out there. It was not the territory we wanted released. We kept protesting about the thing, and I think on the 22d of February—

Senator GRONNA (interposing). Do you think that was the reason for the modification?

Mr. McCLURE. I think probably it was. The Food Administration again issued a new order permitting the use of lamb on Tuesday in all that territory west of the Mississippi River.

The CHAIRMAN. What was the date of that?

Mr. McCLURE. February 22. But still they did not release the lamb-eating territory. I should say that approximately 80 per cent of the lambs in the United States are consumed east of Chicago New York, Baltimore, Washington, Boston, and Philadelphia are the big lamb-consuming cities. They were not released in this order of February 22, and on March 1 the Food Administration issued another order by which it permitted the use of lamb in the entire United States on Tuesday.

I have a statement here from the United States Department of Agriculture, showing that the feeders have put their lambs in the feed lots, fed them on high-priced grain for a considerable period of time, and then turned them out on the range again. That was very generally done throughout the West.

The CHAIRMAN. Will you put that statement of the Department of Agriculture in the record?

Mr. McCLURE. I will be glad to do that.

(The statement referred to is here printed in full as follows:)

CATTLE AND SHEEP ON FEED IN ARKANSAS VALLEY, COLO.

ROCKYFORD, COLO., *February 6,*

The representative of the Bureau of Markets stationed at Rockyford, Colo., reports that in January 2,100 sheep and 1,261 cattle were brought into the Arkansas Valley and placed in feed while 14,388 sheep and 3,453 cattle were moved out, leaving a total of 117,984 sheep and 19,909 cattle on feed in that district. Although the report shows a very small movement of stock, either of feeders entering the valley or of finished animals moving to market during the month of January, the bureau's representative notes that some feeders are taking cattle or sheep off feed to rough them through the winter, or to remove them to range sections where they will be turned on grass in the spring. Some of the sheep feeders are cutting out their ewe lambs and feeding them enough to carry them through the winter and furnish a good shearing of wool in the spring, after which they will be run through the summer and used for breeding purposes. All this is a result of the high prices paid for feeders last fall, the high price of feeds, and the lack of confidence in the present market outlook. Many of the feeders throughout the valley are said to face substantial losses on the basis of the present market prices for fat lambs and cattle.

I have a telegram here from the Northern Colorado Sheep Feeders' Association, that I received the other day. It says:

FORT COLLINS, COLO., *February 16.*

F. J. HAGENBARTH,
Salt Lake City, Utah:

Two hundred fifty farmers (lamb feeders) at mass meeting here to-night urge you and your association to use your best influence with your Congressman and Senators and the Food Administration to abolish meatless day regulation and allow free consumption of lamb. Colorado feeders are losing \$3 per head. If market does not improve or relief come range lambs will depreciate 50 to 60 per cent. Get busy by wire.

NORTHERN COLORADO SHEEP FEEDERS ASSOCIATION.

Senator KENYON. Do you not think there is any wisdom in stopping the killing of lambs?

Mr. McCLURE. No, sir.

Senator KENYON. You think they ought to go on and kill them?

Mr. McCLURE. Oh, sure, because, Senator, there are 50 per cent of our lambs which are wether lambs, and they are not good for anything except meat, and the class of lambs we raise is not fit to grow into an old sheep, that is, it is a lamb bred to be slaughtered sometime between four and six months of age.

Mr. McCLURE. Not generally.

Senator GRONNA. Take your State, for instance.

Mr. McCLURE. We had a very poor wheat crop.

Senator GRONNA. You take Montana.

Mr. McCLURE. Montana wheat production was very low.

Senator GRONNA. And Minnesota?

Mr. McCLURE. I should think that at the price of wheat last year it did not return a profit to the producer.

Senator GRONNA. Of course, \$2 is a big price as compared with the price the farmer has received in the past.

Mr. McCLURE. Yes, but when we pay the price for the things we use, that is not large.

Let us get down to the sheep business, about which I know most. Ordinarily we bought wool sacks before the war at 45 cents. Our wool sacks this year are costing us \$1.20. Our alfalfa hay, in Idaho, at from \$5 to \$7 a ton; this year our hay cost us \$13 to \$17 a ton. Ordinarily we buy corn at \$1.55 a hundred. This year I can not get it at all. But when I did try to get it, the price was about \$4 a hundred. Ordinarily we get cottonseed cake laid down at our railroad station at around \$42 to \$43. We are now paying for cottonseed cake up to \$67 to \$68. Ordinarily, we pay our sheep herders out there about \$50 a month and board. Board used to cost us \$18 a month; it is now costing us \$30, and we are paying the herders anywhere from \$70 to \$100 a month, and out board has increased from \$20 a month to about \$30 a month.

Senator GRONNA. I received a letter from a New England Yankee this morning stating that the boys were asking \$70 to \$75 a month and board and washing. So that I take it that the price of labor is about the same all over the country. I have had a great many letters from my State saying they are asking \$75 to \$90 a month and board and washing.

Senator RANDELL. Mr. McClure, you say that on your individual sheep business you lost about \$1,500 last year?

Mr. McCLURE. Between \$1,500 and \$1,600.

Senator RANDELL. Do you think that same percentage of loss would apply generally to the sheep growers of the Union?

Mr. McCLURE. Senator, it may not be fair for me to leave that statement that way. We had in the West the worst winter in 1916-17 in the history of our country. The winter started in in November and never quit until this winter started. We had just one season, which was all winter. Spring opened up about the 1st of July last year. We lost enormous numbers of sheep. I believe that the State of Wyoming lost 35 per cent of their grown sheep last winter. Where we ordinarily get a lamb crop of about 70 to 80 per cent, the whole western sheep country averaged somewhere between 40 and 50 per cent.

Senator RANDELL. Conditions were very abnormal?

Mr. McCLURE. Conditions were very abnormal, but we have a season like that occasionally.

Senator NORRIS. If you had not had those losses you would have had more than you could keep?

Mr. McCLURE. That is what I said to the Food Administration the other day:

We are going to have 30 per cent more lambs to market this year than last year.

Senator NORRIS. What happened to them the years you did not have hard winters?

Mr. McCLURE. We marketed them.

The CHAIRMAN. Under normal circumstances it would have put the price up very high.

Senator RANDELL. The balance of the country must have raised many lambs?

Mr. McCLURE. This year we have had a nice winter and we are getting in 30 to 40 per cent more lambs so far.

Senator RANDELL. Then the Nation will have a good deal larger supply of sheep?

Mr. McCLURE. There is no question about that. But the country was not able to use the supply we had last winter, because of the eat-no-lamb propaganda, and there are lots of lambs still in the feed lots, because it has not been profitable to market them.

Senator RANDELL. You have been holding them because you could not get a profitable price?

Mr. McCLURE. Exactly. Some feeders have put high-priced grain into lambs on an average of 60 to 80 days, then stopped feeding grain and began feeding hay to carry the lambs. Their losses will be tremendous.

Senator RANDELL. Could you tell us about how much larger the supply of sheep and mutton is going to be?

Mr. McCLURE. I suggest 30 per cent in my judgment in 1918 than it was in 1917, and what we are most anxious to do is to get the Food Administration to recognize that the continued propaganda in favor of conservation of beef and lamb is unnecessary.

Senator SMITH of South Carolina. You mean meatless days?

Mr. McCLURE. They have entirely abolished meatless lamb days until April 15. They took this thing off by piecemeal. In January they abolished meatless days on lamb in six States; on February 22 they abolished it in all territory west of the Missouri River, then on March 1 they abolished it in the entire United States until April 15. Our fat lambs will not all be in then.

The CHAIRMAN. With the transportation facilities in the condition they are you can not calculate ahead so well?

Mr. McCLURE. No, sir. It seems to us absurd to be trifling with a thing that way.

Senator RANDELL. What percentage of increase has there been, if any, of hogs and cattle? You say there has been an increase of sheep. How about the percentages as to hogs and cattle?

Mr. McCLURE. I have not been paying so much attention to hogs and cattle, but the increase of hogs for 1917, is given by the Department of Agriculture, at 3,800,000 approximately; the increase in cattle is given as 2,300,000.

Senator RANDELL. Do you know what percentage of increase that would be?

Mr. McCLURE. No; it is a small percentage.

The CHAIRMAN. It would not bring hogs to normal. The 1st of September, I think, they issued a statement there were 5,000,000 less than before. The September before there were 8,000,000 less than in 1915. So, there is a falling off of something like 13,000,000 in the two years.

Senator RANDELL. How about cattle.

234 INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

Mr. McCLURE. I do not know; 26 per cent more passed through the stockyards last year than the year before. Of course, where we are making the mistake in these figures is going back to some old figures issued by the Department of Agriculture along about 1907. The census of 1900 was taken on June 15. At that time of year a great many ewes had had lambs and a great many cows had had calves. Then, the census of 1910 was taken as of April 15, and, of course, it showed a big decline. But it was simply because it was taken early, previous to the time that these young animals were born.

The CHAIRMAN. That is one of the most unfortunate things about our statistics. I wish you would prepare a history of the price and number of sheep for the past two years, showing the different factors which have tended to increase or lower the price. The point is, I want to isolate the influence of the Food Administration from the other factors.

Mr. McCLURE. I shall put it into the record here, so far as supplies are concerned.

YEARLY MARKETINGS OF LIVE STOCK.

The combined receipts of cattle, hogs, and sheep at Chicago, Kansas City, Omaha, St. Louis, Sioux City, St. Joseph, and St. Paul yearly since 1915 were as follows:

| | Cattle. | Hogs. | Sheep. |
|-----------|------------|------------|------------|
| 1915..... | 7,963,591 | 21,031,305 | 11,160,246 |
| 1916..... | 9,319,851 | 25,345,802 | 11,639,022 |
| 1917..... | 11,241,038 | 29,945,301 | 10,017,353 |

The CHAIRMAN. At our next meeting I think Mr. Owen, of Minnesota, will be here, who will discuss wheat; and probably Mr. Burke, of Omaha, who will discuss cattle. We will meet to-morrow at 10.30.

(Thereupon, at 11.45 o'clock a. m., the committee adjourned to meet at 10.30 o'clock a. m. on Tuesday, March 12, 1918.)

INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

TUESDAY, MARCH 12, 1918.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 11 o'clock a. m., in the committee room, No. 326, Senate Office Building, Senator Thomas P. Gore presiding.

Present: Senators Gore (chairman), Smith of Georgia, Shepard, Ransdell, Thompson, Kendrick, Warren, Gronna, Norris, Kenyon, and Wadsworth, jr.

The CHAIRMAN. Mr. Keefer, state your full name, residence, and occupation.

STATEMENT OF MR. EDWARD F. KEEFER, LIVE-STOCK FEEDER AND LIVE-STOCK COMMISSION MERCHANT, UNION STOCK YARDS, CHICAGO, ILL.

MR. KEEFER. My name is Edward F. Keefer, my address Chicago, Ill.; I am engaged as a live-stock feeder and in the live-stock commission business at the Union Stock Yards there.

The CHAIRMAN. Mr. Keefer, this committee has under consideration the food situation in general and the meat and wheat situation in particular. I suppose you wish to address yourself to the meat situation?

MR. KEEFER. Yes, sir.

The CHAIRMAN. I do not know what particular phase of the matter you wish to discuss. We will be glad to hear you first, in your own way, discuss the present meat situation; and if not satisfactory and not successful what we can do to improve it in either event.

MR. KEEFER. Of course, we all know that the present live-stock situation, particularly as to cattle, is very serious. On the solicitation of the Food Administration last fall live-stock people put in more than the normal supply of cattle, thinking that they would be protected when it came to the marketing of the same. When the cattle were bought there was a serious situation in the Southwest, and also in the Northwest, both sections being drought stricken, which forced a great many cattle to market, and there was an abundance of the feeding class of cattle, but, unfortunately for the cattle feeder, the Government entered into competition with him in the purchasing of their supplies for the Army and Navy and the allied nations; and the result was that the cattle feeder was forced to pay an extremely high price for his feeding cattle.

Another situation that confronts the live-stock feeder is the abnormal price of cattle feeds. When we put our cattle on feed last fall

we were confronted with the prospect of the biggest corn crop that was ever raised in the United States. The weather conditions, however, cut the feeding value of the crop, in my estimation, fully one-half; that is, there was fully 50 per cent of the corn crop that was soft and on account of the soft corn, the farmer and live-stock feeder had to buy a considerable quantity of cattle to eat up the soft corn, as they were unable to dispose of it in any other way. These conditions brought about an abnormal supply of beef cattle in the last three months, and this depressed the market, so that the present market is far below the price that is remunerative to the cattle feeder.

I believe I am safe in saying that 75 per cent of the beef cattle that have been marketed within the last three months have lost the feeder money, some as high as \$75 a head. But I think that the average losses will be from \$40 to \$50 a head on the best grades of beef cattle. The lower priced beef cattle, of course, would not show the loss that the better grades have shown.

Senator KENYON. Just tell us how there has been a loss of \$75 a head, and give an individual instance of that, if you can.

Mr. KEEFER. I will be glad to give you an individual instance. I such a one in my pocket. That may startle you as it startled me when I got it. This is the case of a load of cattle that was fed by a feeder at Milan, Ill. Twenty steers were bought on the Chicago market on October 9, 1917, and sold on the Chicago market February 14, 1918, on full feed 120 days; cost \$12.30 a hundred on the Chicago market and weighed 1,240 pounds, or a total cost per head of \$152.52. The expense of getting them home was \$2.50 per head. They were fed an average of one-half bushel of corn per day. This corn cost \$1 per bushel, or a total cost during the feeding period of \$60 for corn. They were fed an average of 15 pounds of hay per day, at \$25 a ton, which would be \$22.50, and the gentleman estimated about \$10 worth of ensilage, or a total cost when finished of \$267.52 per head. They weighed on the market 1,447 pounds, showing a gain of 207 pounds in 120 days. They sold for \$12.50 per hundred-weight, or a total selling price of \$180.87; deducting the marketing expense of \$3 per head leaves \$177.87 net, showing a loss of \$89.65 per head.

Senator KENYON. Was not that an unusually high price to pay for those cattle?

Mr. KEEFER. It was, yes, sir; but at the time when these cattle were purchased fat cattle were selling at 17 cents and upward and the feeder had every reason to rely on the assurance by the Food Administration that the cattle market would be sustained, and had it been sustained he would have had a fair margin to sell on and would probably have made a profit. I would like to state here that this same class of cattle that he sold in February, 1918, sold in September, 1917, at the high time, around 17½, or 5 cents per pound over the selling price in February.

Senator NORRIS. Those figures do not take into consideration any overhead charges or any labor?

Mr. KEEFER. No, sir; I have said that the labor and the overhead charges and interest charges would offset the gain on hogs, if the hogs were fed with the cattle.

Senator NORRIS. Of course, that is an important consideration: to feed cattle in a practical way they must have hogs to follow them.

Mr. KEEFER. Yes, sir; and the hog gain will offset the price of labor and interest charges.

As I said before, the average losses would probably be \$40 to \$50 per head on these other statements. I have four other statements of similar instances, which substantiate that.

The CHAIRMAN. You mean instances of feeding?

Mr. KEEFER. Yes, sir.

The CHAIRMAN. Will you print those with your statement?

Mr. KEEFER. I will leave them with you for the record, if you desire.

I have one instance here, a man at Lewis, Iowa, who fed two carloads of cattle bought on the Omaha market, that cost \$13 per hundredweight when he bought them, and they sold at \$13.65 per hundredweight after being on feed for 130 days. They show a loss of \$42.98.

Senator RANDELL. Per head, you mean?

Mr. KEEFER. Per head.

Another instance of feeding at La Harpe, Ill., where the feeder fed two loads of cattle that cost originally \$10.62 per hundredweight, and sold at \$11.85 per hundredweight after feeding 130 days, showing a loss of \$40.53.

Another instance, of a load of cattle fed at Plainfield, Ill., that cost landed home at Plainfield, \$12.57 per hundredweight and sold on the Chicago market at \$13 per hundredweight, showing a loss of \$54.45 per head.

Another instance of a single load of cattle fed at La Harpe, Ill., that cost \$9.60 per hundredweight at home and sold at \$12.25 per hundredweight, showing a loss of \$31.90 per head.

Senator WADSWORTH. What was the weight, Mr. Keefer, of that last load?

Mr. KEEFER. Nine hundred and sixty-four pounds at purchase and 1,188 pounds at the time they were sold, showing a gain of 224 pounds in 116 days.

These statements I have here were just taken from the shippers as they came to the Chicago market at random. I did not make particular selections.

The CHAIRMAN. Mr. Keefer, do you regard those as isolated cases?

Mr. KEEFER. They are general, typical cases of the good cattle feeding. I did not pick out any individual or any particular time. The statements referred to submitted by Mr. Keefer are here printed in full, as follows:

John Lipton, Milan, Ill., bought 20 steers on Chicago market October 9, 1917. Sold on Chicago market February 14, 1918. On full feed 120 days.

Purchase weight, 1,240 pounds; purchase price, \$12.30 per hundredweight:

| | |
|--|----------|
| Cost per head..... | \$152.52 |
| Expense getting them home..... | 2.50 |
| Fed $\frac{1}{4}$ bushel corn per head per day, 60 bushels, at \$1 per bushel..... | 60.00 |
| 15 pounds hay per day, at \$25 per ton..... | 22.50 |
| Insilage per head..... | 10.00 |
| Total cost per head..... | \$267.52 |

238 INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

Selling weight, 1,447 pounds; selling price, \$12.50-per hundred-weight:

| | | |
|-----------------------------|-----------|------------------|
| Selling price per head..... | \$180. 87 | |
| Marketing expense..... | 3. 00 | |
| | | <u>\$177. 87</u> |

Loss per head..... 89. 65

Allowed hog gain to offset labor and interest charges.

Fred R. Switzer, Lewis, Iowa, bought 36 steers on Omaha market September 24, 1917. Sold on the Chicago market February 18, 1918. On full feed 130 days.

Purchase weight, 1,130 pounds; purchase price, \$13 per hundred-weight:

| | | |
|---|-----------|--|
| Purchase price per head..... | \$146. 90 | |
| Expense getting home..... | 2. 50 | |
| Fed $\frac{1}{4}$ bushel corn per head per day, 65 bushels, at \$1.25 per bushel..... | 81. 25 | |
| Fed 5 pounds oil meal and gluten feed, at \$50 per ton (no other roughness)..... | 16. 25 | |

Total cost per head..... \$236. 90

Selling weight, 1,450 pounds; selling price, \$13.65 per hundred-weight:

| | | |
|-----------------------------|---------|----------------|
| Selling price per head..... | 197. 92 | |
| Marketing expense..... | 4. 00 | |
| | | <u>193. 92</u> |

Loss per head..... 42. 98

Allow hog grain to offset labor and interest charges.

J. F. Bradshaw, La Harpe, Ill., bought 40 steers on Chicago market October 1, 1917. Sold on Chicago market February 12, 1918. On feed 130 days.

Purchase weight, 996 pounds; purchase cost, \$10.62 per hundredweight:

| | | |
|--------------------------------------|-----------|--|
| Cost per head..... | \$105. 77 | |
| Buying expense and freight home..... | 2. 50 | |

| | | |
|--|--------------|--|
| Cost of 40 steers..... | \$4, 320. 80 | |
| Fed total 1,950 bushels corn, or $\frac{1}{4}$ bushel per day, at \$1.25 per bushel..... | 437. 50 | |
| Cottonseed meal..... | 150. 00 | |
| 12 tons hay and straw..... | 240. 00 | |

Total cost 40 steers..... 7, 148. 30

Average cost 1 steer..... \$178. 70

Selling weight, 1,193 pounds; selling price, \$11.85 per hundred-weight:

| | | |
|-----------------------------|---------|----------------|
| Selling price per head..... | 141. 37 | |
| Marketing expense..... | 3. 20 | |
| | | <u>138. 17</u> |

Loss per head..... 40. 53

W. W. Boughton, Plainfield, Ill., bought 66 steers on Kansas City market September 25, 1917. Sold on Chicago market January 11, 1918. On full feed 109 days.

Purchase weight, 1,185 pounds; cost landed at Plainfield, \$12.57 per hundredweight:

| | | |
|---|-----------|--|
| Cost, per head..... | \$148. 95 | |
| Fed $\frac{1}{4}$ bushel corn per head per day, 54 bushels, at \$1.25 per bushel..... | 67. 50 | |
| 3 $\frac{1}{2}$ pounds per day oil meal, cottonseed meal, and molasses, at 3 cents per pound..... | 11. 43 | |
| 10 pounds hay per head per day, at \$20 per ton..... | 10. 90 | |

\$238. 78

INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS. 239

Selling weight, 1,441 pounds; selling price, \$13 per hundred-weight:

| | | |
|------------------------------|-----------|-----------|
| Selling price, per head..... | \$187. 33 | |
| Marketing expense..... | 3. 00 | |
| Net selling price..... | | \$184. 33 |
| Loss, per head..... | | 54. 45 |

Allowed hog gain to offset labor and interest charges.

Q. M. Bradshaw, La Harpe, Ill., bought 20 steers at home October 18, 1917. Sold on the Chicago Market February 11, 1918. On full feed 116 days.

Purchase weight, 964 pounds; purchase cost, \$9.60 per hundred-weight:

| | | |
|---|-----------|--|
| Cost per head..... | \$92. 50 | |
| Total cost, 20 steers..... | 1,850. 00 | |
| Fed 1,044 bushels corn, at \$1.25 per bushel..... | 1,205. 00 | |
| Fed 3 tons meal, at \$62.50 per ton..... | 187. 50 | |
| Fed 12 tons hay and straw, at \$20 per ton..... | 240. 00 | |

Total cost of 20 steers..... 3,482. 50

Average cost of 1 steer.....

Selling weight, 1,188 pounds; selling price, \$12.25 per hundred-weight: \$174. 12

| | | |
|-----------------------------|---------|---------|
| Selling price per head..... | 145. 59 | |
| Marketing expense..... | 3. 37 | |
| | | 142. 22 |
| Loss per head..... | | 31. 90 |

Mr. KEEFER. The cattle-feeding situation is in a rather serious condition to my mind, and I feel that unless something is done to stimulate the confidence of the cattle feeder, there will be a great shortage of beef in another year. You can not expect the farmer to go on at continual loss. I believe that the farmer would continue to feed cattle if he was promised an even break.

Senator RANSDELL. What will become of the cattle, Mr. Keefer? There are more cattle now, so we have been told, than there has been normally. There has been an increase.

The CHAIRMAN. Let us develop that.

Senator RANSDELL. All right.

The CHAIRMAN. As I understood, these cattlemen have been making "sacrifice hits." There is not more cattle in the country—that may be a fact—but I understood you to say that on account of drought conditions and soft-corn conditions there had been an extraordinary amount put in feed lots.

Mr. KEEFER. Yes, sir.

The CHAIRMAN. Do you know what the condition is as to the number of cattle in the country compared with former years?

Senator RANSDELL. That is the point I was going to try to bring out. I had understood there were more; and I do not know whether it is true. I was trying to get a statement on that.

The CHAIRMAN. I thought you meant from what he said you understood that.

Senator RANSDELL. No; from what other witnesses have said.

Mr. KEEFER. The Secretary of Agriculture said in his statement of January 1, 1918, that there were more cattle in the country on January 1, 1918, than there has been for several years.

Senator RANSDELL. I wish you would develop that.

Mr. KEEFER. I can not develop it, because—

Senator RANSDELL (interposing). You can develop the thought in your own mind that there is fewer cattle.

Mr. KEEFER. I can hardly believe that the statement of the Secretary of Agriculture is correct, from my knowledge of the general situation in the livestock country. As I said before, on account of the drought-stricken condition of Texas during 1917, there were thousands and thousands of cattle shipped out of the Texas country that ordinarily would have been kept there, to grow into either older mature stock cattle, or beef cattle; and the same situation existed in the Northwest; and these cattle were marketed prematurely. and I think there is a shortage of cattle.

Senator RANSDELL. As a result of this premature marketing?

Mr. KEEFER. Yes, sir.

Senator RANSDELL. And what result will come from this great loss which you describe? What is going to be the result on the general cattle market from these losses?

Mr. KEEFER. As I said before, unless the cattle feeder can be assured of an open market, without any restrictions on the demand, he will not continue to feed livestock.

The CHAIRMAN. You mean the stuff will be sold light?

Mr. KEEFER. It will be sold light and will not be made into beef cattle.

Senator RANSDELL. And that in itself will result in a very great diminution in the number of pounds of beef produced?

Mr. KEEFER. Yes, sir.

The CHAIRMAN. Mr. Keefer, I suppose the drought in the Southwest and its reaction on the beef situation is a matter beyond the control of the Food Administration and the feeders alike?

Mr. KEEFER. Yes, sir.

The CHAIRMAN. And the large amount of soft corn and the reaction of that on the future supply of cattle; that is beyond the control of the Food Administration, is it not?

Mr. KEEFER. Yes, sir.

The CHAIRMAN. Now, isolating those two factors, that neither the feeder nor the Food Administration could control, I would like to hear you discuss the factors that could be controlled; what the Food Administration has done either to encourage or discourage the feeders.

Mr. KEEFER. They have taken away the demand for the beef of the United States. We all know that the good beef is consumed in the better classes of restaurants and hotels and by the better class of people. We also know that that demand has been taken away by the introduction of the meatless day.

The CHAIRMAN. Have you any estimate as to what effect that had on the demand?

Mr. KEEFER. I was just going to state, Senator, that the packers that were in the conference held in Chicago last December stated their domestic demand had decreased 30 per cent on account of the meatless days and the advice of the Food Administration to eat less meat.

The CHAIRMAN. Do you remember who told you that?

Mr. KEEFER. Mr. Edward Morris, I believe, made that statement at our conference in December, 1917.

The CHAIRMAN. It is a very important fact.

Senator WADSWORTH. That has particular reference to the heavier cuts of beef, has it not?

Mr. KEEFER. Yes, sir.

Senator WADSWORTH. It is the sort of steers that weigh from 1,200 pounds and upwards that suffers most?

Mr. KEEFER. The steer which has been made into beef by the cattle feeder, putting in the corn and maturing the animals weighing, as you say, over 1,200 pounds.

Senator WADSWORTH. The 1,050 and 1,100 pound steer has not suffered so much in proportion, has he?

Mr. KEEFER. No, sir.

Senator WADSWORTH. Is that due to the fact that the consumers under the urges of the Food Administration are buying lighter cuts of beef?

Mr. KEEFER. Largely, and also on account of the demand by the Food Administration for that class of beef. The Food Administration and the Army and Navy and the American public are all buying the one class of beef, that is beef weighing 450 to 600 pounds dressed carcass.

The CHAIRMAN. That means loss of opportunity to put big weight on the big frame?

Mr. KEEFER. Yes, sir.

Senator WADSWORTH. What remedy do you think can be invoked, Mr. Keefer?

Mr. KEEFER. That is a pretty big question to answer. Everyone must agree that the farmer is entitled to a price for his product that will cover the cost of production plus a reasonable profit. That seems to me to be the only basis upon which the country can be assured of an adequate supply throughout the period of the war. Now, if the Government through its purchases of meats for the use of the Army and Navy and also for the use of the allied and neutral nations bring about such a condition I am sure it would go a long way toward bringing about the desired results.

The CHAIRMAN. Was there any dearth of available cattle that would justify the necessity of meatless days?

Mr. KEEFER. Not in my opinion.

The CHAIRMAN. Do you know anything, Mr. Keefer, about the way prices are fixed, who is responsible for the cattle being low in price? Is it due to the superabundance of cattle or is it due to the Food Administration, or due to the arrangement between the Food Administration and packers? If you have any data that would shed light on it, the committee would be glad to have you give it.

Mr. KEEFER. I can only say, in my opinion, as I said before, it is due to the fact that the demand has been restricted for that better class of beef.

The CHAIRMAN. That, in conjunction with the fact that there was an extra supply on account of draught and feeding conditions?

Mr. KEEFER. Yes, sir.

The CHAIRMAN. And reduced demand owing to the actions of the Food Administration?

Mr. KEEFER. Yes, sir.

The CHAIRMAN. Both had a tendency to reduce prices. Is it your judgment that this extra supply was temporarily due to the drought and feeding of soft corn, and that that situation is not a permanent one?

Mr. KEEFER. Well, it will be made temporary unless something is done to stimulate the cattle feeding.

The CHAIRMAN. What I mean is this: Drought has driven a great many cattle to market that normally would not come?

Mr. KEEFER. Yes, sir.

The CHAIRMAN. Feeding soft corn resulted in putting a great many cattle in the feed lots that would not otherwise have been fed?

Mr. KEEFER. Yes, sir.

The CHAIRMAN. So that, at least, is temporary?

Mr. KEEFER. Yes, sir.

The CHAIRMAN. And it does not mean a permanent accession to the cattle supply of the country?

Mr. KEEFER. I do not think it does; but I believe had it not been for the extraordinary demand for that class of cattle last fall from the Government for the Army and Navy and the Food Administration for the allied nations that the grade of cattle bought for feeding would have sold considerably lower than they did, and it probably would have been profitable to the farmer to have sold on the present market or on even a lower market; but on account of that competitive demand from so many sources for that one class of cattle they sold abnormally high.

The CHAIRMAN. The lighter or the heavier?

Mr. KEEFER. The lighter cattle at that time.

The CHAIRMAN. You say the catlemen were encouraged to increase their production. Was that contained in any bulletin, interview, or statement?

Mr. KEEFER. The propaganda went out from the Food Administration to produce more hogs, cattle, and mutton, and food supplies of all kinds.

Senator KENYON. Mr. Keefer, has there been any indication coming to you of any influencing of the price of cattle from the Food Administration through the packers?

Mr. KEEFER. Yes, sir.

Senator KENYON. Tell us about that.

Mr. KEEFER. We had a conference last Friday, at which the statement was made—

Senator KENYON. What conference is this?

Mr. KEEFER. We had a conference last Friday at which were representatives from Missouri, Iowa, Minnesota, Michigan, Illinois, Indiana, and Wisconsin.

The CHAIRMAN. At Chicago?

Mr. KEEFER. At Chicago, at the stockyards. We met to consider the present live-stock situation. At that meeting Prof. Durand, of the Food Administration, was present, and the statement was made by one of the gentlemen in the conference that some time ago—I do not just remember the date—the Food Administration sent word to the packers that they had undertaken to stabilize the cattle market and had arranged with one of the allied nations to take a supply of beef for 30 days, and that on account of this order there would be a larger demand for this kind of cattle than usual. But they admon-

ished the packers not to advance the market, and if they did they would be held responsible.

Senator WADSWORTH. You mean advance the market on live cattle?

Mr. KEEFER. Yes, sir.

The CHAIRMAN. Who made that statement?

Mr. KEEFER. It came from the food administration's office in Chicago.

The CHAIRMAN. I mean who made this statement last Friday at the conference?

Mr. KEEFER. I do not recollect, Senator.

Senator KENYON. Was there a bulletin or letter to the packers?

Mr. KEEFER. There was a copy of a letter that passed between officials of Cudahy & Co., printed in the public papers at Chicago.

Senator WADSWORTH. You say this matter was mentioned at this conference last Friday and Mr. Durand was present?

Mr. KEEFER. Yes, sir.

Senator WADSWORTH. Did he make any comment upon that?

Mr. KEEFER. He did. He did not deny the allegation, but he made a statement that it was only for 30 days, and that it was not to be taken seriously.

Senator WADSWORTH. What is Mr. Durand's business?

Mr. KEEFER. He was appointed first assistant to Mr. Cotton.

Senator WADSWORTH. What was his business before that?

Mr. KEEFER. I understand he was a professor in one of the agricultural colleges.

Senator WADSWORTH. Has he ever been connected with the packers in any way?

Mr. KEEFER. No, sir; I do not think so.

The CHAIRMAN. Do you know whether he assisted in lobbying against the resolution in the House to investigate the packers?

Mr. KEEFER. I do not know—

The CHAIRMAN. He said that order was not to be taken seriously?

Mr. KEEFER. Yes, sir.

The CHAIRMAN. And the cattlemen were to hold their breath 30 days, were they? (Laughter.)

Mr. KEEFER. Yes; I guess that was it.

The CHAIRMAN. I will ask the committee to print in the record, just following Mr. Keefer's statement, a letter from Mr. Wilhelm, Cudahy's representative in Chicago, to Cudahy's representative in Omaha, detailing what happened at a conference of the five different packing houses, in which he quoted Mr. Durand as saying it was a matter of first importance that the price of cattle should not be raised.

(The letter referred to by the chairman is here printed in full as follows:)

Mr. W. DEISING,

The Cudahy Packing Co., Omaha, Nebr.

JANUARY 18, 1918.

DEAR SIR: Yesterday we had quite a meeting in Dr. Durand's office. The conservation committee meeting was postponed, and this meeting was to discuss future allotments. Those attending were: Messrs. Meeker and White, of Armour & Co.; Messrs. Hyman and Lacey, of Morris & Co.; Mr. Peterson, of Wilson & Co.; Messrs. Edward F. Swift, Charles H. Swift, and Carr, of Swift & Co.; Messrs. Shepard and Wilhelm, of the Cudahy Packing Co.

Dr. Durand just wanted to know what the actual stocks of frozen beef were in the country now. Our amount was so small that he didn't make a memorandum of it. Without this, he had about 30,000,000 pounds, the greater portion of which was of cows.

244 INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

The doctor then said that they were going to buy big quantities of beef every month and he was rather skeptical about our being able to take care of the orders. He didn't state just what quantity was wanted, but thought that it would be a minimum of 6,000,000 pounds a week. He then asked for suggestions on how to provide this. His first thought was to have a meatless week, but it was shown instantly that that was impracticable, as there was no chance of any of us freezing our entire week's kill, and the effect on the country of such a measure would be as bad probably as the present embargo on fuel.

Mr. White suggested that every packer freeze 10 per cent of his kill, and on this basis we should be able to secure 6,000,000 pounds of meat if the receipts ran as liberal as they expected them to be. Mr. Meeker further suggested that we start out on the plan as Mr. White had proposed, or freezing whatever quantities we desired, and that we meet again a week from next Monday and see what had been accomplished. After the 6,000,000 pounds had been put away, we would go right along working on that plan.

We were also to come prepared to this meeting, which will be on January 28, with costs of the beef that we have down and ready to offer.

Dr. Durand said that this thing would have to be handled in some way to avoid advancing of the cattle market; that that was the thing that absolutely must not come about, and if it did he would take drastic measures to prevent it; for instance, he indicated that if it required 10 per cent or even a higher percentage of your purchases to take care of this export business, you were going to be correspondingly short in your branches. This would have a tendency to raise the beef market—which we all admitted—and that, in turn, the live-stock market.

We all agreed that we would see that we didn't pay any more for live stock and that we would keep our selling price to a normal point to correspond, and he said he thought it wouldn't be long before Mr. Hoover would state that we would be allowed to sell our beef or fresh meat to our branches at actual cost plus some definite profit, like 1 cent a pound, or some means of preventing an ever-increasing selling price. Dr. Durand intimated that if this couldn't be worked out that they would have to go into the question of closing up some of the branches; that where we had branches located side by side that they would close some at certain points, etc.

We are really on trial to see how we behave, and if we can take care of this export business without putting things out of condition in this country, all right. He said that the English wanted quantities much greater than he would consider letting them have, as he wasn't going to rob this country, but at the same time we must be as economical as possible, and he thought that before long another meatless day would be instituted.

Upon inquiry as to the class of beef that we would probably save, it was the general opinion that practically everything from now on would be within the 500-700 ranges.

Dr. Durand asked us all to give him figures showing what our tonnage of our domestic beef business for the month of February would be. No one volunteered to make a statement of these figures, so they were submitted in writing. I had to figure this hastily. I estimated our weekly beef business to be 6 000 000 pounds, making it 24 000 000 for the month. Figuring on 500-600-pound cattle, this is about 10 000 head. I thought your mill might run considerably more than that; perhaps up to 15 000—but if we were going to figure on a 10 per cent cut-down of our domestic business, thought there was no object in having our figures too large. What do you think of that estimate for February?

Boneless beef.—We had a good deal of discussion about boneless beef, and, all told, there was something like 25,000,000 pounds of beef trimmings and boneless cuts offered. I submitted the following quantities:

| | Pounds. |
|----------------------|-------------|
| Beef shank meat..... | 1, 000, 000 |
| Boneless bulls..... | 300, 000 |

That 1,000,000 pounds of beef shank seems to furnish the key to the rise in the price of shank meat—I mean, this proposition of their buying shank meat.

| | Pounds. |
|----------------------|-------------|
| Beef cheeks..... | 150, 000 |
| Boneless mutton..... | 150, 000 |
| Boneless veal..... | 150, 000 |
| Shoulder clods..... | 150, 000 |
| Spencer rolls..... | 100, 000 |
| Plain rolls..... | 50, 000 |
| Sirloin butts..... | 150, 000 |
| Boneless strips..... | 25, 000 |
| Beef hams..... | 1, 000, 000 |

Dr. Durand asked Mr. Swift what sort of price he thought was right on the boneless beef. He said he didn't care to answer to-day, but that they would proceed to figure it if he thought there was some definite prospect of buying these goods. It was then suggested that the price be around 18 to 18½ cents, and that seemed to satisfy everybody.

Yesterday, before going to the meeting, I talked to Mr. Cudahy about this beef cut proposition, and he said that he thought these cuts were worth more money than they figured, and he thought it best to offer a smaller quantity than we did the last time. This you will note according to the above figures, I think we will probably start at something like 18 cents Chicago, loose, for clods and put a premium on the better cuts such as the rolls and strips and hams.

He had some inquiry from Italy for boneless beef, Australian style, but everybody condemned the idea of supplying any meats according to these regulations, stating that these meats were absolutely satisfactory that we were offering and that this special stock would have to be made especially and would be very expensive. I suppose the motive there—just as our own—was to sell some of the stock we had on hand, which I guess everybody is willing to do.

Dr. Durand said that he had submitted the offerings of offals but as yet had heard nothing. We all urged that he push this through as much as possible, as these items—which included tongues—were commodities that were generally shipped abroad, and consequently we all had a surplus due to our being unable to secure any shipping facilities.

The thing for us to do, then, is to go ahead and accumulate all the frozen beef that we can, and give them our costs and quantities that we will have on hand a week from next Monday. I hope that we will be able to submit an offer of 600,000 pounds as it would tend to establish our position even though subsequent offers might not be so large.

Yours, very truly

CUDAHY PACKING COMPANY,
F. E. WILHELM.

Senator KENYON. Did that conference at Chicago pass any resolutions?

Mr. KEEFER. They did.

Senator KENYON. Have you copies of them with you?

Mr. KEEFER. I have the original resolutions and also some copies.

Senator KENYON. Are the resolutions very long?

Mr. KEEFER. No, sir.

Senator KENYON. Do they relate to this cattle question?

Mr. KEEFER. Yes, sir.

Senator KENYON. Suppose you read them.

Senator NORRIS (interposing). Before you do that, I would like to ask you this: You say at this conference it was stated that some time prior Mr. Durand had stated to the packers that they must not pay any higher price or he would hold them responsible. When did he make that statement, do you know?

Mr. KEEFER. I do not remember exactly.

Senator NORRIS. Would you know the date if you heard it?

Mr. KEEFER. No, sir.

Senator NORRIS. Do you know about how long it was before?

Mr. KEEFER. I think it was in January.

The CHAIRMAN. Senator Norris, I have this letter here.

Senator NORRIS. I have it here, too. But I am wondering whether he has reference to the same thing.

The CHAIRMAN. Yes.

Senator NORRIS. That letter was written from Mr. Wilhelm to the Cudahy Packing Co. at Omaha on the 18th of January last.

Senator NORRIS. Do you know whether that is what he had reference to?

Mr. KEEFER. That is the letter he had reference to.

Senator NORRIS. And that is the conference he had reference to?

Mr. KEEFER. Yes, sir.

Senator NORRIS. That is all I wanted to know, whether it was the same thing. Now read the resolutions.

Mr. KEEFER. The resolutions are directed to the President and Congress of the United States. [Reading:]

RESOLUTIONS ADOPTED AT CONFERENCE OF EXECUTIVE COMMITTEE OF CORN-BELT
STATE LIVE-STOCK PRODUCERS' ASSOCIATION—REPRESENTATIVES AT MEETING.

(CHICAGO, March 8, 1918.

To the President and Congress of the United States:

At a meeting held on March 8 at Chicago, Ill., attended by representatives of the associations whose names are subscribed hereto, the following resolutions were unanimously adopted as expressing the mature views of the stockmen of the corn-belt States:

Resolved, That conditions which have prevailed during the past six months have been most discouraging to the live-stock producer. During most of this period prices received for the fat stock have been below the cost of production. If the needs of the nation demand the sacrifice of our live stock, the stockmen will cheerfully make the sacrifice; but he cannot continue to produce at a loss.

Resolved, That the fixing of prices of agricultural products by indirection and at secret conferences with middlemen, by men who do not understand production problems, will inevitably bring disaster to the Nation. The experience of the past three months has thoroughly shaken the confidence of corn-belt stockmen in the wisdom of those who have undertaken to stabilize live-stock prices and regulate live-stock marketing.

Resolved, That the division of authority between the Food Administration and the Department of Agriculture is most unbusinesslike, and has resulted in a confusion of tongues and multiplicity of advisers who often work at cross-purposes to the great bewilderment and embarrassment of the producer.

Resolved, That the maintenance of agricultural production on a scale sufficiently large to feed our own people and our allies can not be hoped for unless a constructive agricultural policy shall be at once formulated and put in operation by men who understand the principles which govern production and who enjoy the confidence of the farmers and stockmen of the Nation. In the meantime, we demand an immediate readjustment of live-stock prices on the basis of cost of actual production and that such adjustment be safeguarded by Congress and maintained for the present and the coming feeding season of 1918 and 1919.

In adopting the foregoing resolutions we are actuated not so much by the desire to protect the live-stock industry from disaster, as by the earnest hope that a wise production policy may be adopted in time to avert the impending most serious shortage in all foodstuffs, which will assuredly imperil the great cause for which our Nation is fighting.

State Live Stock Association of Illinois; Corn Belt Meat Producers' Association of Iowa; Indiana Cattle Feeders' Association; Missouri Farmers' Association; Illinois Swine Breeders' Association; Minnesota Live Stock Breeders' Association; Michigan Live Stock Association; Wisconsin Live Stock Breeders' Association; The National Live Stock Exchange; The Chicago Live Stock Exchange.

Senator KENYON. Who do those associations represent? Are they large bodies of stock raisers, or just a few?

Mr. KEEFER. I would say they represented the large stock producers of their various States.

Senator NORRIS. Were you present at that conference?

Mr. KEEFER. Yes, sir.

Senator NORRIS. You took part in it?

Mr. KEEFER. I was present.

Senator NORRIS. Would you mind telling us what those resolutions have reference to where they speak of the "secret conferences," and in another place where they speak of "these prices being fixed by men who do not know anything about the stock business"? To whom do you refer?

Mr. KEEFER. I might say that I was not a member of the committee which drew up these resolutions.

Senator NORRIS. You do not understand what that meant?

Mr. KEEFER. It was my understanding that men from the Chicago office of the Food Administration and the packers held the secret conferences. The Food Administration in Chicago is, in our estimation, handled by a man who is not competent; he does not know.

Senator NORRIS. You refer to Mr. Durand?

Mr. KEEFER. Mr. Durand; yes, sir.

Senator NORRIS. What about Mr. Cotton?

Mr. KEEFER. He is not in Chicago at present, and has not been for some time.

Senator NORRIS. Would he be satisfactory?

Mr. KEEFER. No, sir.

Senator NORRIS. The same objection would exist against him?

Mr. KEEFER. I would think so.

Senator KENYON. Mr. Cotton is a lawyer.

Mr. KEEFER. Mr. Cotton is a New York lawyer.

Senator KENYON. And Mr. Durand is a professor.

Mr. KEEFER. Yes, sir; neither of them is a practical live-stock man. I do not believe either of them has any knowledge of agriculture or live-stock problems at all.

The CHAIRMAN. Do you know whether Mr. Cotton had ever been attorney for the packers at any time during his career?

Mr. KEEFER. I do not know positively, but I have been told that he was New York representative of Wilson & Co.

Senator NORRIS. Is this Durand the same man who used to be Superintendent of the Census?

Mr. KEEFER. Edward Dana Durand.

Senator NORRIS. He is the same man who wrote the Garfield report exonerating the packers?

Mr. KEEFER. I do not know.

The CHAIRMAN. Do you know anything about the other personnel of this meat administration, who constitutes it?

Mr. KEEFER. No, sir; I do not know.

The CHAIRMAN. Do you know anything about any of the other members?

Mr. KEEFER. None, except Mr. Brooks, who is connected with the transportation end of the Food Administration and ex-employee of Swift & Co.

The CHAIRMAN. "Ex," you say?

Mr. KEEFER. He is supposed to have resigned his position with Swift & Co. when he took up his duties with the Food Administration.

Senator WADSWORTH. Who is that?

Mr. KEEFER. Mr. Brooks.

Senator NORRIS. What is his connection with the Food Administration?

Mr. KEEFER. He is connected in the transportation department of the Food Administration.

Senator WADSWORTH. As a matter of fact, practically all of Mr. Brooks's business life has been as a live-stock traffic manager of the Santa Fe Railroad?

Mr. KEEFER. Just previous to his connection with Swift & Co.

Senator WADSWORTH. And that was only a few months before he came here?

Mr. KEEFER. I would say it was—I think that he was with Swift & Co. about a year.

The CHAIRMAN. What representative of the stock men and stock breeders and farmers is on this Food Administration?

Senator SMITH of Georgia (interposing). With whom did you say? He came immediately from the packers to the Government service?

Mr. KEEFER. Yes, sir.

Senator WADSWORTH. It is fair to say, if Mr. Brooks's name is going to be brought in here in that way, that he is known as possibly the ablest live-stock traffic manager of the western railroads.

The CHAIRMAN. I think he was in the claim department, was he not, a long time, of the Santa Fe?

Senator WADSWORTH. I do not know how long he was in the claim department. But I have known of his activities with the Santa Fe Railroad and his record there was rather remarkable.

Mr. KEEFER. I have known Mr. Brooks a good many years while he was connected with the Santa Fe, he was a very capable railroad man.

Senator WADSWORTH. He has been brought here on that same kind of a task, as I understand it, transportation and traffic manager.

Senator SMITH of Georgia. Does your statement about the secret meetings mean to imply that he was a party to those secret meetings with the packers?

Mr. KEEFER. Mr. Brooks?

Senator SMITH of Georgia. Yes.

Mr. KEEFER. I do not think so.

The CHAIRMAN. Were the farmers or stockmen represented at any of these meetings that you know of where prices were considered?

Mr. KEEFER. No, sir—I do not know, but hardly I believe they were.

The CHAIRMAN. What farmer or live-stock man is in the Food Administration here?

Mr. KEEFER. None that I know of.

The CHAIRMAN. Mr. Keefer, what was the feeling generally at this meeting last Friday—was it hopeful as to the outlook?

Mr. KEEFER. We all feel that unless something is done to bring about a more confident feeling among the live-stock people there will be a great scarcity of beef the next year—a decided scarcity—and I think the confidence of the beef-producing public has been shaken by the action of the Food Administration of the Government.

The CHAIRMAN. Do you think the present unfavorable situation affecting the live-stock men is due to no fault of the live-stock men and not to any want of reasonable foresight on their part?

Mr. KEEFER. I can not see that the live-stock men are to blame in it at all. Mr. Cotton has said that the feeder who last fall bought his feeding cattle at 12 and 13 cents did not use good judgment. I believe that he did, and I think any live-stock man will agree with me that when there is a margin of 4 or 5 cents a pound between the purchase price of the feeding cattle and the fat cattle, that it is a safe proposition.

Senator KENYON. Do the stock men put up their judgment against a New York lawyer on these stock questions? Does it not arouse

confidence in them to have a New York lawyer running the meat end of this thing?

Mr. KEEFER. No; it does not.

Senator KENYON. Why is a New York lawyer running it, do you know?

Mr. KEEFER. No, sir; I did not appoint him.

Senator GRONNA. Is it any worse to have a New York lawyer running the meat department than it is to have a Minneapolis miller running the flour department or a wheat exporter running the wheat business?

Mr. KEEFER. I would think it would be.

Senator GRONNA. I have not heard any complaint about that—I mean about the Minneapolis exporter.

Mr. KEEFER. Well, if he was connected with the grain situation at all he would have some knowledge of it. Mr. Cotton has no knowledge of the meat situation or the production of the beef.

Senator GRONNA. Mr. Keefer, you have been dealing exclusively with high-grade cattle. I understand you are well posted in the stock business. What is being done with cattle that are being shipped to the stock yards, the larger proportion of which is of a lighter weight, we will say, cattle that weigh all the way from 800 to 900 pounds? Of course, they were sold, I think, very much cheaper than the price you have quoted; they were sold away down to less than 9 cents. What is being done with that class of stock? Do the feeders buy anything as light in weight as that?

Mr. KEEFER. You mean at the present time?

Senator GRONNA. No. What was done with them last fall?

Mr. KEEFER. Of course, the feeders bought a great many of that class of cattle, and they came back to the market and sold at margins that are much larger than the better class, of course.

Senator GRONNA. They made money on that class of stuff.

Mr. KEEFER. I would not say they made any money to speak of. The cattle-feeding proposition has not been profitable this past six months, on account of the extremely high cost of feedstuffs—corn and hay and meal feeds.

Senator GRONNA. Of course I heard your statement about the drought in the Northwest, and I agree with you entirely. I live in the Northwest, and I know that in the States of Montana and the two Dakotas, especially North Dakota, everything was shipped out of the country, even the cows were shipped out of Montana and also out of western North Dakota.

Mr. KEEFER. Yes, sir.

Senator GRONNA. But a great many high-grade cattle have been shipped into my country from Canada. They were immature cattle, but on account of the high price of feed and the scarcity of hay, the farmers were compelled to ship them to market, and I know positively that they did not bring any such prices as you have stated here; that is, they brought less than 9 cents.

Mr. KEEFER. Thousands of cattle sold at 8 and 9 cents a pound.

Senator GRONNA. The cattle feeders had bought that class of cattle and bought corn and valued it at \$1, the same as you valued it a moment ago; is it not reasonable to suppose that they would have made money on that kind of cattle?

Mr. KEEFER. Well, I can only answer that by saying they did buy that class of cattle. They bought all that they could buy. But there was not an abundance of that kind. The most of the steer cattle that came from the ranges were heavier.

The CHAIRMAN. What is the price now?

Mr. KEEFER. Of what, sir?

The CHAIRMAN. Of cattle, different grades?

Mr. KEEFER. The top price of cattle in Chicago at the present time is 14 cents.

The CHAIRMAN. That is on what grade of cattle?

Mr. KEEFER. That is on the choicest grade of cattle. A fair grade of cattle weighing 1,200 or 1,400 pounds is selling at 12 to 12½ cents.

The CHAIRMAN. And the grades below that?

Mr. KEEFER. The grade below that, steers, weighing 1,000 to 1,100, such as the packers are buying for the Army and Navy contracts and for the allied nations, weighing 1,000 to 1,100, is selling around 11½ cents a pound.

The CHAIRMAN. Now, on 500-pound to 1,000-pound steers, what are they bringing?

Mr. KEEFER. There is not much in the fat cattle line weighing 500 pounds.

The CHAIRMAN. I thought there was quite a demand for those light-weight cattle?

Mr. KEEFER. I do not think there is anything in the steer line weighing under 900 pounds that is fit to kill.

Senator KENDRICK. I think those prices are on the dressed carcass, 500 or 600 pound carcass.

The CHAIRMAN. Probably so.

Mr. KEEFER. The dressed carcass weighing 500 or 600 pounds would be live weight weighing 1,000 to 1,050. Such a steer would dress 500 to 600 pounds.

The CHAIRMAN. Do you know anything about the arrangement between the Food Administration and the packers as to profits?

Mr. KEEFER. Only what I read in the papers.

Senator NORRIS. Mr. Keefer, you were one of the gentlemen present on December 5, when Mr. Cotton went into that question of profits in Chicago?

Mr. KEEFER. At the conference held in the Exchange Building, Union Stockyards?

Senator NORRIS. I do not know what building it was held in. There was a conference held there. Mr. Cotton made a statement on December 5 to the producers?

Mr. KEEFER. Yes, sir; I think I was at that conference.

Senator NORRIS. What did Mr. Cotton say at that conference to the producers in regard to the profit, if anything, that the Food Administration had decided should be given to the packers?

Mr. KEEFER. If I remember correctly, the statement made by Mr. Cotton was that the gross profit of the packer would not be allowed to exceed 9 per cent.

Senator NORRIS. Did he say anything to the effect that the packer should be allowed a profit ranging from 9 to 15 per cent and give as a reason for it that it was very desirable to give them that liberal profit in order that their credit might be protected?

Mr. KEEFER. Not to my recollection.

Senator NORRIS. He said it should be what?

Mr. KEEFER. Not to exceed 9 per cent.

Senator NORRIS. Did he say anything about the profit on the——

Mr. KEEFER (interposing). On the turnover?

Senator NORRIS. No; I mean on the by-products.

Mr. KEEFER. No, sir.

Senator NORRIS. Did he say anything in that address to the producers as to what their profits should be?

Mr. KEEFER. No, sir.

Mr. LASATER. Might I state that the meeting you describe was the one held at the Saddle and Sirloin Club meeting of the National Live Stock Association, and the one Mr. Keefer attended was at the Exchange Building, about the same time, but later.

Mr. KEEFER. Mr. Durand attended a meeting at the Sirloin Club of the National Association.

Senator NORRIS. And you have reference to that meeting?

Mr. LASATER. No, sir; I was not at that meeting. The meeting I have reference to took place in the office of the Chicago Live Stock Exchange, at which producers of these various States attended the conference last Friday were present, and Mr. Cotton addressed that meeting in the afternoon, about December 5.

Senator NORRIS. I will ask Mr. Lasater whether that was the same meeting you have referred to?

Mr. LASATER. No, sir; this meeting took place in the morning prior to the one Mr. Keefer is describing.

The CHAIRMAN. Will you tell us something about the hog situation, Mr. Keefer?

Mr. KEEFER. My knowledge of the hog situation is not as extensive as that of cattle, because I have dealt in cattle pretty nearly all my life. But I raise hogs on the farm quite extensively and know a little about the hog-raising game. I would just as soon not discuss it.

The CHAIRMAN. What do you think could be done, and should be done if it can be done, to mend this situation?

Mr. KEEFER. In the first place, I think the live-stock producer should have representation on Mr. Hoover's board, and in that way I believe it would be beneficial to both the Food Administration and the live-stock producer. In the second place, something must be done to restore confidence in the minds of the producers of farm products.

The CHAIRMAN. We will now hear Mr. Grommon.

STATEMENT OF MR. HOMER B. GROMMON, SECOND VICE PRESIDENT ILLINOIS LIVE-STOCK ASSOCIATION, PLAINFIELD, ILL.

The CHAIRMAN. State your full name, residence, and business.

Mr. GROMMON. My name is Homer B. Grommon; residence, Plainfield, Ill.; I am a farmer and live-stock feeder, and am second vice president of the State Live-Stock Association of Illinois.

The CHAIRMAN. You heard my preliminary statement a while ago. We will be glad to hear you discuss the meat situation generally and in detail.

Mr. GROMMON. I think, Senator, in the first place, that the stockmen are generally quite discouraged and that they have lost confi-

dence, in a measure, in the action of ruling authorities in this country in regard to the meat situation; I think generally they are not asking for a "nurse cow," but they are fearful that the cow they have may be dried up.

The Food Administration has stated, so I understand, that since the war began there has been a shortage in the allied countries of over 30,000,000 head of live stock. The stockman, or the American citizen that has a conception of the needs of this country feels that we need to produce food and live stock sufficient for war purposes, and that we should be in a position when this war is over, in so far as possible, to help to alleviate the needs of the allied and other nations involved in this war; that there is without doubt going to be a serious shortage of live stock in these countries.

There are a great many factors to consider in this livestock situation. The public generally, I think, view the livestock industry from the producer's standpoint wholly.

In the production of livestock, there are so many other factors that enter into it, the by-products of livestock, the utilization upon the American farm of a vast amount of food value that can be utilized in no other way, that can be conserved in no other way. Take the soft-corn situation. There would have been a vast amount of useful food wasted in this country if the feeder had not put in those cattle to utilize it. It is true that it has been lost in a way to the individual, but it has resulted in benefit to the whole people. We did have the situation of the drought forcing the cattle in, and we had the other situation of the soft corn. It was fortunate for both sections of the country, possibly, that that condition existed at the same time. But it is depleting our herds, and the policy of our Government in coming into competition in buying the very class of cattle that the feeder needs to put in his lot for finishing purposes was the most direct cause of the abnormal high price of the feeding animal, and these cattle were put in when prices were high and the margins between the feeder animal and the finished bullock was probably as great as any of us men have ever known.

Senator KENDRICK. Mr. Chairman, I would like to ask the witness a question there, if I may.

The CHAIRMAN. Yes, indeed.

Senator KENDRICK. About what proportion, or about what relation did the price of feeders, as bought last fall, have to the price of cattle when finished in the market?

Mr. GROMMON. Well, it is my opinion that if we had not had the establishment of the meatless days and the propaganda accompanying the establishment of those days, creating in the public mind the thought that it was not quite patriotic to use the things that our soldiers in our Army and Navy needed and our allies needed to win this war, I think we would have had prices in this country that would have given the feeder a reasonable profit on his feeding operations.

Senator KENDRICK. I beg your pardon. The question I am asking you is, Is the price of the finished product higher than the price paid for the feeder, or was it as high?

Mr. GROMMON. At the time they were put in?

Senator KENDRICK. The price per pound, I mean?

Mr. GROMMON. I think that the margin between the feeder animal and the finished bullock at the time the feeders went in was sufficient

to warrant a man, as a business proposition, to go ahead and put feeders into the lots, with an expectation that he would reap a reasonable profit.

The CHAIRMAN. And, judging by the experience in that spread between the feeder and the finished product, you felt justified, that is, the feeders felt justified, in going ahead and buying and finishing and fattening the stuff?

Mr. GROMMON. Yes, sir.

Senator KENDRICK. But is it not true that the cattle now, after they have been matured, are selling for just about the same price per pound that the feeders paid for them when they were put in the feed lots?

Mr. GROMMON. I think there have been a great many instances where they really sold for less money when they were finished per pound.

Senator KENDRICK. And is it not generally understood among feeders, and is it not a well-known fact that they must bring an increased per pound price in order to even return the actual cost of production?

Mr. GROMMON. Absolutely; there is no question about that at all.

Senator RANDELL. How much is that increase, about?

Mr. GROMMON. Of course, there are some factors that enter into that that would be pretty hard to answer. But I think under the conditions now that have confronted us this year, a man should expect in the neighborhood of \$1 a month increase in price.

Senator WADSWORTH. That is, if he feeds three months, he ought to get \$3 a hundred pounds more?

Mr. GROMMON. That might vary somewhat. The nearer you get to the finished bullock, the more expensive it is to put that gain on. That is, the animal gains less in proportion to the food that he consumes, and the thin animal the first 60 days' feeding the gain will probably be the cheapest you will get in feeding the animal.

The CHAIRMAN. This last September feeders were 4 or 5 cents less a pound than finished cattle at the same time?

Mr. GROMMON. Yes, sir. Now, the relation between the feed and the beef animal is this: Feed has gone up fully 50 per cent more than cattle have gone up. Because feed has advanced fully 50 per cent more than the advance in the selling price of cattle.

Senator WADSWORTH. Have you any remedies to propose, Mr. Grommon?

Mr. GROMMON. I think the feeling is general that a business that is of first importance in these United States should have men at the head of those departments that have some knowledge at least of the problems confronting that business. A man may be very capable in the distribution of food and have splendid ideas about conservation, but they may possibly be carried out at the expense of an industry later on.

The CHAIRMAN. It is like cutting down the tree to get the fruit?

Mr. GROMMON. Yes, sir.

Senator GRONNA. You mean that it might tend to destroy the industry?

Mr. GROMMON. Yes, sir; it might.

Senator NORRIS. You mean by that that the men who have charge of the food administration, while they may be excellent men,

were men who had no practical knowledge of the business they were put in to handle; is that the idea?

Mr. GROMMON. That is the general opinion, I think, among the stock people of this country.

Senator NORRIS. Of course, it is very desirable that there should be confidence retained by stockmen and all other producers in order to keep them at work.

Mr. GROMMON. It is absolutely necessary, Senator. I think that the policy inaugurated should tend to stimulate live-stock production the most important cog, in my judgment, in the agricultural industry.

Senator NORRIS. Yes, I agree with you.

Mr. GROMMON. As I suggested, the utilization of the otherwise waste products of the farms is something that we should consider, and consider it greatly, and when we consider the ramifications of the business and the number of people that are dependent on those businesses for a living, it is a question that if we could get into the minds of you gentlemen here in Congress the real necessity of going to the bottom of this situation, the country as a whole would be well satisfied and our time would be well spent in coming down here. Of course, you can get the needed information more fully than we are capable of giving you.

The CHAIRMAN. Do you think that the activities of the Food Administration on the whole has tended to encourage or discourage production?

Mr. GROMMON. I think, up to the present time, it has been very discouraging.

The CHAIRMAN. If the Food Administration had sufficient influence over prices to induce the packers to pay reasonable prices to the live-stock producers, would not that mend the situation?

Mr. GROMMON. Yes, sir; we think it would. But, supposing we take it from the other hand: If a thorough investigation of conditions had been gone into first, and the policy of the administration had been not to inaugurate policies that would be depressing, as I stated—I do not think the people that we represent are asking for anything special at all.

The CHAIRMAN. You think that if you had been left alone you would have been all right?

Mr. GROMMON. Yes, sir; I think we would.

The CHAIRMAN. Do you think that would have bettered the situation?

Mr. GROMMON. Yes, sir; I think so.

The CHAIRMAN. Have you particular reference now to the meatless days?

Mr. GROMMON. Well, I think that the accompanying advertising that went with it, the indirect—

Senator KENDRICK (interposing). Carried the responsibility of maintenance of price?

Mr. GROMMON. I did not quite understand that.

Senator KENDRICK. That advertising to increase production on the basis that the market was to be sustained carried with it the responsibility of maintaining that market?

The CHAIRMAN. I think that is the point in the whole business, Senator. I think there is a moral obligation involved.

Senator KENDRICK. Yes.

Mr. GROMMON. There is not **any** doubt at all but what the administration by strong inferences created the impression throughout the country that the farmer and stock feeder was going to receive just recognition and a fair deal—you can not move a foot but what you will see "Food will win the war," and there is not an industry in this country other than agriculture in quite the same position. They say to the shipbuilder "Hurry." They do not say to him "We do not care what it costs," but it is implied there. And when it comes to the distribution of the things that are produced by the largest body of men in this country and the greatest industry there is in the country they are so fearfully frightened—I do not think I will say just what is in my mind—

The CHAIRMAN. We can probably assume what you are thinking about.

Mr. GROMMON (continuing). But organizations sometimes, if they are closely affiliated, even though they be in the minority, exert an influence vastly superior to the great majority with no concentration of action.

Senator GRONNA. I am very much interested in your statement; but do you mean to imply by your statement simply the feeding of cattle or are you thinking of agriculture generally?

Mr. GROMMON. I think they are inseparable.

Senator GRONNA. Do you think it is possible to increase the production of foodstuffs by sending out speakers over the country and telling the farmers to be patriotic and telling of the horrible conditions in Europe and inciting their patriotism? Do you think that in that way we may be able to produce more foodstuffs?

Mr. GROMMON. Well, Senator—

Senator GRONNA (interposing). I am asking that question because I understand that is being done.

Mr. GROMMON. As a class, if we are not fully patriotic we should be ashamed of ourselves. Every man in this war, I think, should exert himself to the utmost to help this country as a whole, to win this war, and to conserve the resources of this country, not only for the present, but for the future. The agricultural interests of this country, if there is anything under Heaven that those people over there are going to need, when this war is over, it is going to be live stock to restock their lands, and I think that we ought to be foresighted enough to in some manner provide a system, if you please, that will tend to stimulate that production. If we were to go into the fertilizing element of this thing—you take the sections that have not been in the stock-feeding business, and their lands are deteriorating and they are deteriorating very fast. We are utilizing in the stock-feeding sections the things that possibly should be utilized in the sections where they are grown—I am referring to cottonseed meal and things of that kind; the indirect benefit of the livestock industry is something that is well worth a man's consideration.

Senator GRONNA. I hope you will not misunderstand me. I know absolutely that the farmers are just as loyal as any other class; that is not the question I was trying to raise. The question I would like to have answered is, which is the best method to stimulate production—because I think we all agree it is necessary to stimulate production—and encourage it.

Mr. GROMMON. I think the best way to stimulate production is to instill in the minds of the agricultural public the feeling that they are going to be treated fairly as compared to other interests in this country.

Senator NORRIS. That is just what they did to begin with. Was not the propaganda all over the country to all these producers of all classes, "Go ahead and produce everything that you can, and we are going to see that you get a fair price?"

Mr. GROMMON. Yes, sir.

Senator NORRIS. That was the propaganda to begin with, was it not?

Mr. GROMMON. Yes, sir; it was.

Senator NORRIS. One of the points is, after they had done that and complied with that, has the Food Administration carried out its implied promise or its directly made promises, so far as they could, to see that the agricultural producers got a reasonable profit for their efforts and their energies?

Mr. GROMMON. I may be getting into deep water, but there was tentatively implied—not a promise made—that a minimum price on hogs should be established at \$15.50 was the statement, I believe, that the Food Administration would endeavor to maintain that. There was no money back of it. There was not an absolute promise, but indirectly there was a feeling created throughout the country that the Government had pledged itself, so far as it could, as a purchasing agent, to maintain the 15½-cent minimum. Then letters went out asking if it would not possibly be wise to discontinue that; that they felt they were fully within their rights, which they were, to discontinue it—that is, the legal right. I think, Senators, it has created in the public mind possibly a little distrust. I do not know just how to word that.

The CHAIRMAN. I think we can search your mind.

Senator GRONNA. Is it not true that this so-called minimum really becomes the maximum; that is, through the system that was being inaugurated it was not the minimum but became the maximum.

Mr. GROMMON. You refer to the wheat price?

Senator GRONNA. Yes.

Mr. GROMMON. There is not any law regulating the wheat price.

The CHAIRMAN. None for the last year—none on earth; there was no more warrant to fix the price on your wheat and take it than to confiscate your hat or your coat.

Can you discuss the hog situation as to whether it is profitable on the present basis?

Are you in the hog business?

Mr. GROMMON. Yes, sir; I think where a man has grown his hogs and been where he could get plenty of corn it has been reasonably remunerative.

The CHAIRMAN. At the present price of corn?

Mr. GROMMON. I think that the soft corn has shown better results when fed to hogs than it has to cattle. That is my opinion.

The CHAIRMAN. Did you see anything of a report last fall that the price would be reduced 10 cents a pound?

Mr. GROMMON. On hogs?

The CHAIRMAN. Yes.

Mr. GROMMON. No, sir; except just a little newspaper discussion in regard to it.

The CHAIRMAN. That sort of a statement was given out, and I understood it resulted in rushing a good many immature hogs into market. The statement was unfounded, however.

Speaking about profits, has there not been so many things done which aroused suspicion in the farmers' minds, that he was afraid to venture?

Mr. GROMMON. I think that is so.

The CHAIRMAN. A good many farmers operate on credit, do they not?

Mr. GROMMON. Yes, sir; the most of them do in their feeding operations.

The CHAIRMAN. Live-stock men particularly?

Mr. GROMMON. There are three things, I think, that enter into this matter: We are in war, and a great many men have been taken from the farms through the selective draft; and many more men have been taken from the farms owing to the increase in the price of labor in the cities, the speeding up in the manufacture of war munitions and the short hours, and the attendant things with it, that we are confronted with a shortage of labor necessitating the purchase of high-priced machinery, involving the expenditure of a good deal of capital, and we have been confronted with, I think, the smallest corn crop of recent years, notwithstanding the statement that it is a large crop, and that we still have back in the farmers' hands between 1,200,000,000 and 1,300,000,000 bushels of corn. I hope it is true. I know we need it, but the question seriously is whether it is true or not.

The CHAIRMAN. Is there a real shortage of labor on the farm?

Mr. GROMMON. Yes, sir; I think there is.

The CHAIRMAN. Is it possible for the farmer to pay competitive wages to farm hands as against the wages paid by the industries now?

Mr. GROMMON. I do not think it is.

The CHAIRMAN. Or against governmental enterprises where they pay cost plus 7 or 10 per cent?

Mr. GROMMON. No, sir.

The CHAIRMAN. The farmer would operate with a great deal more confidence and assurance if he were assured cost plus 7 per cent?

Mr. GROMMON. I do not think there is a farmer in our country but what would turn over his farm and operations to anybody if he was assured 7 per cent on his investment.

The CHAIRMAN. These men who are building these cantonments, these "Hog Island exploiters," patriotic men, who get \$6,000,000—they get something else besides patriotism, do they not?

Mr. GROMMON. Well, naturally, that would be the inference, I think.

The CHAIRMAN. We will meet in the morning at 10.30, and Assistant Secretary of Agriculture Ousley will be here, and Mr. Owen, of Minnesota.

Senator NORRIS. When will Mr. Wallace go on?

The CHAIRMAN. Probably the next day.

(Thereupon, at 12.30 o'clock p. m., the committee adjourned to meet at 10.30 o'clock a. m., Wednesday, March 13, 1918.)





INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE AND FORESTRY UNITED STATES SENATE

SIXTY-FIFTH CONGRESS

SECOND SESSION

RELATIVE TO

INCREASING THE PRODUCTION OF GRAIN AND MEAT
SUPPLIES OF THE UNITED STATES

MARCH 13, 14, 15, AND 16, 1918

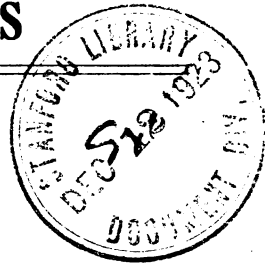
Printed for the use of the Committee on Agriculture and Forestry

PART 5

U. S. FOOD ADMINISTRATION

APR 16 1918

INFORMATION BUREAU LIBRARY



WASHINGTON
GOVERNMENT PRINTING OFFICE
1918

COMMITTEE ON AGRICULTURE AND FORESTRY.

THOMAS P. GORE, Oklahoma, *Chairman.*

GEORGE E. CHAMBERLAIN, Oregon.

ELLISON D. SMITH, South Carolina.

HOKE SMITH, Georgia.

MORRIS SHEPPARD, Texas.

JOSEPH E. RANDELL, Louisiana.

WILLIAM H. THOMPSON, Kansas.

EDWIN S. JOHNSON, South Dakota.

JOHN B. KENDRICK, Wyoming.

FRANCIS E. WARREN, Wyoming.

CARROLL S. PAGE, Vermont.

ASLE J. GRONNA, North Dakota.

GEORGE W. NORRIS, Nebraska.

WILLIAM S. KENYON, Iowa.

JAMES W. WADSWORTH, Jr., New York.

J. ROY THOMPSON, *Clerk.*

INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

WEDNESDAY, MARCH 13, 1918.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10.30 a. m., in the committee room, No. 326, Senate Office Building, Senator Thomas P. Gore presiding.

Present: Senators Gore (chairman), Sheppard, Warren, Norris, and Kenyon.

Senator SHEPPARD. Mr. Chairman, Hon. Clarence Ousley, Assistant Secretary of Agriculture, has recently completed an extended trip through the northwestern and southwestern sections of the country. As a member of the Committee on Agriculture it occurred to me that he could give us some very valuable data as to the extent of preparations for crop production during the current year, and I have therefore requested, as a member of the committee, that you would call him, which you very kindly did. I am sure the committee will be very glad to have his testimony embodied in this record.

The CHAIRMAN. We are very glad indeed to have him present.

I wish, Mr. Secretary, that you would go ahead in your own way. The committee, let me say, has under consideration the food situation in general, and the meat and wheat situation in particular. We would be very glad if you would discuss those subjects, directly and in their bearing on related subjects.

STATEMENT OF HON. CLARENCE OUSLEY, ASSISTANT SECRETARY OF AGRICULTURE.

Secretary OUSLEY. If the law of averages holds good, and it generally does, I think it is safe to say that we will have approximately an equal, and I rather confidently expect an increased, acreage of farm crops this year as compared with last year. Since the last part of January I have visited the Northwest, from Minnesota to Puget Sound, and from Texas through southern Alabama and middle Georgia. Of course, there has been no planting as yet in the Northwest, but from representations made to me by several large groups of farmers—notably at a meeting at Spokane, attended by 600 or 700 grain growers from Oregon, Idaho, and Washington, and another meeting at Great Falls, Mont., attended by more, perhaps 700 or 800 farmers, from Montana and North and South Dakota—I gather that their general purpose is to increase their acreage of spring wheat. Here and there, of course, there is a local situation which will prevent an increase and may cause a decrease, but generally

speaking, notwithstanding various labor difficulties, the farmers are preparing to do their utmost.

In the first part of March—I have just returned from that trip—in that part of Texas that has had rain, exclusive of a comparatively small part of the State, which is still subject to drought, in the main agricultural region of Texas, there is more land under the plow to-day than there was at this time last year. That is also true of southern Alabama and middle Georgia.

In the South, from my own observation and reports I have received from the States Relations Service, I believe it is fair to say that the expectation of the farmers and the partial accomplishment of the farmers already, is the planting of a pretty generous share of their acreage in food and feed crops. It is impossible to guess in any precise terms what the relative acreage of cotton and food crops will be, but I am sure, from the present anticipation of the farmers, or the present purpose of the farmers, the whole acreage in the South will be somewhat increased, and there will be at least an equal acreage in food and feed crops.

Senator NORRIS. Did you get into Oklahoma?

Secretary OUSLEY. I did not get into Oklahoma, Senator.

Senator NORRIS. Do you know about conditions there?

Secretary OUSLEY. I am informed that the conditions in Oklahoma are very similar to conditions in Texas. That is to say, the eastern part of the State, the old Indian Territory, is very similar to eastern and northeastern Texas.

Senator NORRIS. Take that portion of Oklahoma that raises wheat.

Secretary OUSLEY. That portion of Oklahoma that raises wheat is like the portion of Texas that raises wheat, in our Panhandle; the western part of Oklahoma is still very dry.

Senator NORRIS. Do you find the farmers in that section of the country feeding wheat to hogs?

Secretary OUSLEY. Oh, I hear of that here and there. I do not think it is very extensive.

Senator NORRIS. Do you hear anything about the decrease in the number of brood sows in that part of Oklahoma?

Secretary OUSLEY. Yes, sir; I heard that in part of Oklahoma and some parts of Texas.

Senator NORRIS. Do you think there is such a decrease?

Secretary OUSLEY. In those particular regions there undoubtedly has been a very serious decrease, but that is confined to the drought regions.

Senator NORRIS. The testimony here that has been given by Oklahoma people is that that is true of the entire portion of Oklahoma that raises wheat.

Secretary OUSLEY. Well, that is the area that is subject to the drought.

The CHAIRMAN. I might say, Senator Norris, that I had a letter from Mr. Simpson this morning, the gentleman who appeared before the committee several days ago, and he says he finds the situation a good deal worse than it was when he was here.

Secretary OUSLEY. Undoubtedly, Senator, in the drought region of northwestern Texas, the Panhandle, and in western Oklahoma the condition has never been as bad as it is now.

Senator NORRIS. As to the wheat situation in Kansas and Nebraska, how is that?

Secretary OUSLEY. I have not any late information from Kansas or Nebraska, Senator. When we made the estimate of winter wheat acreage last December there was a considerable decrease of expected acreage in Kansas and Nebraska, owing to dry weather.

Senator NORRIS. Did you travel in Iowa?

Secretary OUSLEY. I only passed through the corn belt. I have no precise information as to conditions in the corn belt.

Senator NORRIS. Did you get any information from reports as to the way the farmers feel who are feeding hogs in the corn belt?

Secretary OUSLEY. In the last few days we have had some contradictory evidence. We have had some rather startling reports of farmers sacrificing brood sows and bred sows, because the high price of corn made it more tempting to them to sell the corn than to feed it.

Senator NORRIS. What is the judgment of the Department of Agriculture as to whether the price of hogs compensates the farmer for putting his corn into hogs rather than selling the corn?

Secretary OUSLEY. That depends upon the condition of the corn, Senator. A good deal of that soft corn undoubtedly had better be fed to hogs. It depends altogether on the farmer, as I have stated. If he is going to buy hogs and buy corn, or if he has not anything else on his farm except corn, he had better sell his corn.

Senator NORRIS. What is your information as to the extent to which that is being done throughout the corn belt?

Secretary OUSLEY. My information is that it is not being very generally done.

Senator NORRIS. Then, does it follow that these farmers who are not doing it are in reality losing money by not doing it, and if so, is it because of patriotism that they are doing it?

Secretary OUSLEY. Here is the point: If a farmer has nothing on his farm but corn and hogs, and has bought those hogs at a high price—

Senator NORRIS. Well, if he had raised the hogs?

Secretary OUSLEY. Or if he had raised the hogs, perhaps it would pay him better to sell the hogs than to sell the corn. But if he has a well-ordered farm establishment, and there is a good deal of waste, a good deal of picking around the farm, which is the case with most farms, then it will pay him to utilize that waste and pickings, and throw in a little corn to finish the hogs.

Senator NORRIS. That is true. But, take the ordinary farmer; he has that waste. Now, under present conditions, is there a tendency, on account of the high price of corn and the low price of hogs as compared with each other, for them not to keep any more hogs than are necessary to take up that waste, using a little corn to top them off at the selling time? Does not that condition have a tendency to bring about the sale of the corn and the farmer curtailing his feeding operations?

Secretary OUSLEY. Undoubtedly it does have that tendency.

Senator NORRIS. To what extent does that exist?

Secretary OUSLEY. I do not think that is general. I think that is the case with the man who figures very accurately and very precisely; but on the other hand, I think the great body of farmers feel that they are getting a pretty good price for their corn fed to hogs; not

as high, possibly, as they might get if they sold the corn and the hogs separately, but they are getting a pretty good price for the corn anyhow, and they are governed by the patriotic desire to do all they can without undue sacrifice.

Senator NORRIS. In that connection, let me ask you another question. Do you think, and does the department think, that it is fair to the farmer under those conditions if we can bring about a change by which he can make a profit that we should not bring it about? In other words, ought we not, if we can, to make it profitable to the farmer to pursue that method that would bring about the greatest conservation and the greatest supply of food?

Secretary OUSLEY. Certainly; by wise policies, we ought to do that; yes, sir.

Senator KENYON. Is the Department of Agriculture working out any constructive plan along the line of increasing production in any way?

Secretary OUSLEY. I do not quite get the point of your inquiry, Senator.

Senator KENYON. Are you doing anything toward increasing production, except urging the people by bulletins and pamphlets, and things of that kind?

Secretary OUSLEY. We are doing all we can to stimulate an increased production without exciting unwise or unprofitable undertakings. The condition of the farmers in a neighborhood, as you realize, Senator, differs very widely; the condition of farmers by States, or regions, differs very widely. Now, the Department of Agriculture is trying to aid farmers to increase production in such a way as not to upset well-balanced agriculture, and we believe that we have been instrumental, we believe we were instrumental last year, in causing an increase of production.

And, as I have just testified, I think we are going to get an increased acreage this year. I can not tell what the season is going to be, but I am confident of an increased acreage. I think there are going to be decreases here and there in some of the truck gardens, notably those around the large industrial centers. I have in mind particularly Norfolk. There may be a decrease of truck crops, because there is a scarcity of labor. In those regions many of the farmers are reducing the acreage of potatoes, cabbage and spinach, for instance, and putting in more corn, because that requires less labor. Around these industrial centers where the labor has been drawn from the truck farms, there will undoubtedly be a decreased production of perishable products, but with the spring garden movement under way the country as a whole will, I think, have an abundance of vegetables.

Senator NORRIS. I want to ask you about potatoes. In the potato regions, is there a good deal of dissatisfaction.

Secretary OUSLEY. Senator, I can not speak with any precision about the potato regions, because it is not in the potato regions that I have visited. I have been in the grain belt of the Northwest.

Senator NORRIS. Do you get any reports about large amounts of potatoes that are spoiling in some localities where they have increased their acreage?

Secretary OUSLEY. I have seen in some of the announcements by the Bureau of Markets reports of large volumes of potatoes ready to move, and in some cases I have heard of potatoes spoiling.

Senator NORRIS. Has the Department of Agriculture given much attention to the question of dehydration, particularly of potatoes?

Secretary OUSLEY. They are making a very intensive study of it; yes, sir.

Senator NORRIS. Have you gone far enough with it so you could express an opinion as to the desirability of the construction, perhaps by the Government, in the large potato regions, of dehydration plants, so that this product could be saved?

Secretary OUSLEY. I do not happen to have that information in my mind, but the information is in the department, and I think the department is ready to give some opinion on it. Secretary Houston caused to be made some investigation of that subject in July, and I think the committee investigating it is about ready to make some recommendation. The work of our department is divided into jurisdictions, so to speak, and that is not in my jurisdiction.

I do not want to leave the impression, gentlemen, that we may go to sleep with the assurance that we are going to have plenty of food production. I only wish to convey the impression, and I am very confident in my own mind, that on the whole we will have at least an equal and most probably an increased, acreage. The problem from this time on is the labor problem.

Senator NORRIS. To what extent have the Agricultural Department and the Food Administration worked together?

Secretary OUSLEY. Just about as intimately as is practicable.

Senator NORRIS. Did the Agricultural Department agree with the Food Administration in the so-called meatless days and in the prohibition of the eating of mutton and lambs?

Secretary OUSLEY. The Department of Agriculture has not taken any responsibility in that respect, because that is the responsibility of the Food Administration, to determine how much conservation is necessary. We have not attempted to initiate anything of that kind.

Senator NORRIS. Have you made any investigations in regard to the condition of the sheep men and the lamb men who ordinarily market lambs and mutton?

Secretary OUSLEY. Personally I have no information on that subject, for the same reason that I stated with respect to the dehydrating. Our Division of Animal Husbandry has that, I presume, quite fully.

Senator KENYON. What have you done as to the labor question?

Secretary OUSLEY. We have been working in very intimate cooperation with the Department of Labor. The Department of Agriculture has a farm help specialist in nearly every State, either in all the States or in groups of States, but mostly in all of them, and the Department of Labor has employment agencies in nearly all the important centers. We have been working with the Department of Labor and with the agricultural colleges and the county agents, with a view to supplying the needs where the supply could be obtained, and that has been very often, and also with a view to shifting labor from one neighborhood to another neighborhood or from one county to another county; and, as I say, with the Department of Labor fully cooperating with us, we have been able to supply—we were able last year to supply nearly all the acute demands; not all, because in many regions there was not enough labor seeking employment. That is

going to be true this year; there is not enough labor seeking employment to furnish farmers with their needs at the time of stress, for harvesting especially, and we are going to have to resort to some other device. We are going to have to resort principally, I think, to mobilizing the able-bodied men of farm experience in the towns adjacent agricultural regions, as was done in many cases in the grain belt last year.

Senator KENYON. You would call upon the retired farmers?

Secretary OUSLEY. Not only the retired farmer, but the business man who has had experience on the farm. We would let them close their stores for a certain day in the week, or certain weeks in the season—

Senator KENYON. And go out and work on the farms?

Secretary OUSLEY. And go out and work on the farms; yes, sir.

Senator NORRIS. If you would apply that rule to Congress you would get lots of experienced farm help.

Senator KENYON. I am afraid they would wilt very quickly.

Secretary OUSLEY. Of course, a man that has been sitting in an office is not hardened to farm labor.

Senator KENYON. That is true of business men also, is it not? I do not think they could do much at it. You have got to harden a man for farm work before he can do very much.

Secretary OUSLEY. Well, they are hardened men in the towns. If the business men will close their stores for a day in the week they will save a wheat harvest. They did that in many cases last year.

Senator KENYON. What about the boys in the schools?

Secretary OUSLEY. In nearly all the States the high-school boys are being trained and will be trained during the spring in camps in practical farm work. That movement is under way in nearly every State. But that is not going to be sufficient, in my judgment. We can not stop building ships. We can not stop running railroads. Those necessary industries are taking skilled labor; and, besides all that, you know for years the cities, with their great fortunes and bright lights, have been drawing the young men from the farms. This situation simply precipitated a drift that had been noticeable for years.

The CHAIRMAN. Do you not think it is due in large part to low wages and high prices on the farms and the dismal life on the farms?

Secretary OUSLEY. All that had to do with it; yes, sir.

Senator NORRIS. There is another element in labor on the farm, and I would like to get your judgment on it and learn whether the Agricultural Department has given it attention, and, if so, to what extent. I refer to the draft. The farm boys have been taken into the Army. Of course, we have got to have men in the Army. We all realize that, but as a practical proposition is it the proper thing to take farm boys, who know all about farming, away from the farm and put them into the Army at this time?

Secretary OUSLEY. I think Gen. Crowder calculates that only 1.48 per cent of the agricultural population has been drawn to the Army.

The CHAIRMAN. That is true, taking the agricultural population as a whole—

Secretary OUSLEY (interposing). I am coming to the other point, Senator.

The CHAIRMAN (continuing). But it is entirely misleading.

Secretary OUSLEY. The War Department, as you know, provided for a deferred classification of certain classes of farm labor—skilled farm labor and farm managers, whose withdrawal from the farm would cause acreage to be idle. Unfortunately, many of the district boards have not, in my judgement, properly interpreted those rules of classification. I think there has been a great deal of error and lack of uniformity, and the Department of Agriculture has made frequent representations to the War Department about that.

Senator NORRIS. That is what I want to know about.

Secretary OUSLEY. We are in constant touch with the War Department, and Gen. Crowder has been extremely considerate, but he has hesitated to command a district board to interpret his rules in a given way.

Senator NORRIS. Could he not make the rules so that there would be no question about them?

Secretary OUSLEY. He has made them so intelligible, Senator, that it seems hardly possible any question could arise about them.

The CHAIRMAN. Has it not been held that the classification of skilled farm labor includes only graduates of agricultural colleges?

Secretary OUSLEY. No, Senator. The rule simply says "skilled farm labor." One or two district boards have held that a skilled farm laborer must be a graduate of an agricultural college. As soon as we learned of that we laid the case before Gen. Crowder, and he promptly sent a telegram to all of the district boards saying that the definition of skilled farm labor was not restricted to graduates of agricultural colleges nor to men possessing scientific knowledge or intensive technical knowledge. He made a very broad definition there, in a negative manner.

Senator NORRIS. What effect did that have?

Secretary OUSLEY. It was only very recently that that came to our attention, so I am not prepared to say what effect it has had. Meanwhile we have advised the agricultural colleges, organizations of farmers, and representative citizens that under the policy of the law the work of military enlistment is decentralized and the responsibility is on the local boards and the district boards, on the theory that they are in the best position to know the local situation, and where they have been in error the responsible citizens ought to appear before them and argue the case out with them. I might say that situation has been quite troublesome, but I believe it is in process of correction.

Senator HARRIS. If we are going to keep up production—and of course we must keep up production—is it not almost necessary that men on the farms, even though they can not read or write, if they know how to farm, must be left there?

Secretary OUSLEY. I think a man on the farm who knows how to do any necessary farm task is a skilled farm laborer. The difficulty has been in the confusion of mind of the district boards about skilled labor. We have spoken of skilled labor so often as meaning skilled trades that they do not realize that a man who is trained in chopping cotton or harvesting wheat is a skilled laborer. He is just as truly a skilled laborer, as one of my friends remarked awhile ago, as a man with a trowel laying brick. There has been a great deal of difficulty about that, but I believe it is in process of correction.

You probably noticed in yesterday's paper Gen. Crowder's statement about the next call to the camps. It was a very intelligent and very generous statement. He has instructed the local boards in furnishing their quotas to leave on the farms all men, even in class 1, who are now engaged in agriculture.

Senator NORRIS. That ought to have a good effect.

Secretary OUSLEY. Yes. Under those circumstances I should not expect that even in class 1 many, if any, men actually engaged in agriculture will be called this year.

Senator KENYON. Then it is fair to say that the administration, the War Department especially, are awakening to the importance of this labor question on the farms as a vital factor in the war?

Secretary OUSLEY. I do not think the War Department has been indifferent on that subject. The Departments of Agriculture and Labor have been very active and helpful.

Senator KENYON. I do not mean to charge that they have been, but I do not think that they have fully realized the importance of it.

Secretary OUSLEY. I think the trouble has been in the attitude of the district boards that have not comprehended it.

Senator NORRIS. It seems to me it ought to be said that probably the fault lies in the definition made by the War Department, which the district boards have been trying to carry out in good faith. There is no doubt that these various district boards would as a rule have a tendency, in the agricultural communities, to give the farmer the benefit of the doubt, but they have been so patriotic they did not want to take any advantage that was not proper for their own people, and they have almost leaned backwards sometimes. The War Department in defining "skilled labor" ought to have been more definite, it seems to me, and if there is any fault it comes from the top, not from the bottom, as I look at it.

Secretary OUSLEY. As I said a while ago, the definitions are, to my mind, perfectly clear. The moment we found any improper definition and called the attention of the War Department to it, Gen. Crowder corrected the particular point involved. So while there have been great difficulties there, I think they are in process of being corrected.

Senator KENYON. I want to get down to the fundamentals of this labor trouble on the farms. Of course we all know it is a very serious matter. Boys are going from the farms to the cities. They are going into munition plants and factories. Why? Because they get higher wages. Because these institutions can pay higher wages. They are on a paying basis. Now, the farmer can not pay those same high wages because his business is not on the same paying basis. Do you not, therefore, come back in the last analysis to the fact that you have got to make farming a paying business in order to keep the labor question solved?

Secretary OUSLEY. Surely, Senator; I should not feel the slightest concern about these high prices and about this food shortage if we were not at war. I would be perfectly willing to see prices go so high that the young men in the towns would realize that there was profitable employment for them in the country, thereby turning back some of this tide from the country to the towns. In peace times we can well leave this adjustment to the natural swing of the pendulum, but we are discussing a war situation now where we must get food at

all costs. You can not bring about a guaranteed wage for farm labor; conditions vary so much.

The CHAIRMAN. They did that in England, did they not?

Secretary OUSLEY. If my information is correct, England has pretty nearly taken possession of the farming industry. We have not done that yet, and I hope we shall not.

The CHAIRMAN. If you fix prices on farm products and pursue that principle to its logical end, you have to do it, do you not?

Secretary OUSLEY. I do not want to discuss here this morning the action of Congress in fixing the price of any commodity, except to say that, whether it might have been wise or not, you have got the bear by the tail now.

The CHAIRMAN. But you must not put the bear's tail in the hands of Congress.

Senator NORRIS. That is just what I was about to suggest. Congress did not fix the price—not for this year—and we only fixed the minimum price for the coming year.

Secretary OUSLEY. I prefer not to discuss the policies of Congress, except to make the general remark that when you have started on a thing it seems to be almost impossible to stop.

The CHAIRMAN. Yes; I want to take that up again in a moment.

Secretary OUSLEY. I was coming to the point that Senator Kenyon raised, about the necessity of getting more for farm products, the paying of higher wages—

Senator KENYON. Making farming a paying business.

Secretary OUSLEY. Yes. Senator, generally speaking, last year farming was a paying business. Of course potato growers did not prosper. Some parts of the grain belt did not prosper. Some parts of my State of Texas did not prosper, because we had a drought; we had a reduced yield. I know of wheat farms in Texas that did not make 4 bushels to the acre; on the other hand, I know of farms that made 30 bushels to the acre. And my State, notwithstanding the great drought in the wheat belt, has \$94,000,000 more wealth this year than it had last year. The whole South is more prosperous than it ever was, on account of the high price of cotton.

Senator NORRIS. And nobody fixed the price of cotton; they let God's laws operate there.

Secretary OUSLEY. For this season, Senator, for this year, we are not going to be able by any act of legislation to send men back to the farms; and we are not going to be able to alter these industrial conditions by legislation.

The CHAIRMAN. If you pay the farmer 10 per cent profit on the wages he pays his hands you will get labor, will you not? That is the way certain enterprises in this country are operating.

Secretary OUSLEY. Of course you could do that, but I do not believe that by legislation we can readjust these labor conditions this year. I believe that the cities are going to have to take the responsibility for looking after these local and regional problems, just as they did in many parts of the grain belt last year and as they are doing in many sections now. Following the suggestions of the Department of Agriculture, many communities are now organizing and taking surveys of men of farm experience, pledging the men to go out and help the farmers out at the time they need the greatest supply of labor.

Senator KENYON. Has there been any movement looking toward the employment of women on the farms?

Secretary OUSLEY. Yes; a great deal has been done in that respect. Where man labor can not be obtained we are encouraging the use of women for certain light tasks on the farm—not for plowing. They are doing that in England, I understand, and in Europe generally women have always done a large part of the farm work. We are encouraging the women to go out from the towns to do the light tasks, the fruit raising, the vegetable cultivation, and things of that kind. Meanwhile we are urging that in these towns women be given light tasks heretofore performed by men, so that the able-bodied men can go out to the farms. Much mischief may be done in hysterical efforts to mobilize women labor.

Senator KENYON. Have you been successful in that movement? Have you put it in practical operation?

Mr. OUSLEY. In a few cases last year.

Senator KENYON. Was it successful?

Secretary OUSLEY. Yes; so far as I know it was.

Senator KENYON. Women could relieve men in the operation of elevators?

Secretary OUSLEY. Yes; women can relieve men in a great many places in the city. The trouble is this, that these profit-making cities want to win this war without giving up any of their conveniences, and they are not going to be able to do it. Not only that, but there is not enough wisdom in this Congress or any Congress that could be assembled, in my judgment, to solve all these local or regional problems. The States and communities and individual men of influence must take the responsibility in their neighborhoods. If we can get all the able bodied men in the towns and cities to go out and help chop our cotton crop and help harvest our wheat crop and meet these other needs of seasonal strain we will get by all right.

Senator KENYON. Are you getting rid in your southern part of the country of the useless employment of labor, such as in pool rooms and such things?

Secretary OUSLEY. No, sir; we are not. In many of these cities men are getting such high wages they are only working three or four days a week. It is a matter in which the States and cities must take the responsibility and see that all men work, either through public sentiment or, if need be, by law. Let us reform our vagrancy laws. Those things can be done, Senator, by the States and cities if you will throw the responsibility upon them; but if you do not throw the responsibility upon them you will be sitting here all summer and having sessions of this committee every day in the week.

Senator KENYON. The responsibility is on all of us, of course. If they do not do it, we can not sit down and do nothing.

Secretary OUSLEY. No; but let them understand what their responsibility is. I do not believe there is a single problem as to farm labor that can not be solved in any State if that State will take concern about it.

Senator KENYON. Some of these chauffeurs and these automobiles that are used for pleasure riding could be dispensed with?

Secretary OUSLEY. Yes, sir. This Government is going to feed its soldiers and its allies, and these farmers are going to feed themselves—there is not any doubt about that—but if these cities insist

upon having their ease some of the people who do not work and do not fight may have to go hungry.

Senator NORRIS. The trouble is that the people who go hungry will very likely be the wrong ones; it will not be the fellows who are making the big profits.

Secretary OUSLEY. No; that is one of the troubles. But if this problem is thrown back on the business people of this country, you will find they are patriotic, too; they are just thoughtless about this.

Senator KENYON. If the individual people in the country really grasp and envision this war they will do all those things.

Secretary OUSLEY. I think so. Lots of people do not understand yet that they are at war. They know the Government is at war, that the Army and Navy are at war, that the Senate is at war, and the departments are at war, but they do not know that the man in the shop, the woman in the kitchen, or the man on the farm is at war.

Senator KENYON. Every individual has got to declare war for himself?

Secretary OUSLEY. Yes.

The CHAIRMAN. I think we have got to change our slogan, "Every man do his bit."

Secretary OUSLEY. It should be "Every man do his best."

The CHAIRMAN. Yes; "Every man do his best."

Senator KENYON. That "bit" business just enables a man to do little or nothing?

Secretary OUSLEY. Yes, sir.

Senator KENYON. I think it is the most unfortunate expression ever coined.

Secretary OUSLEY. So many of our people are hoping that somebody is going to win this war, without any sacrifice on their own part. We have got to pay the price of victory, and the price of victory is going to be sacrifice by every man, woman, and child in the country. As soon as we get into that spirit we are going to win the war, and I fear we will not begin to win it until we do get into that spirit.

The CHAIRMAN. Mr. Secretary, I infer from what you say that so far as acreage is concerned the food situation promises to be pretty satisfactory?

Secretary OUSLEY. Yes, sir; so far as acreage is concerned.

The CHAIRMAN. Now, the department made a drive, as I remember, to get 47,000,000 acres in winter wheat?

Secretary OUSLEY. Yes. We got an increase; I do not remember the figures in terms of acreage. We asked for an increase of 18 per cent, and we only got 4 per cent on winter wheat because of the dry weather in Kansas, Nebraska, Oklahoma, and Texas.

The CHAIRMAN. Forty-seven million was the mark, was it not?

Secretary OUSLEY. I have forgotten the number of acres. Now we are asking for a greater increase in spring wheat, and my own impression is that we will get from 5 to 15 per cent increase in spring wheat.

Senator NORRIS. There may be fields of wheat in Oklahoma or some of those Western States that the farmer may plow up in the spring. In fixing those percentages you have counted that in, have you not?

Secretary OUSLEY. We counted in in December all that then appeared dependable. Of course there may have been come winter killed.

Senator NORRIS. The testimony here is quite overwhelming that a large per cent of the wheat crop is going to be plowed up this spring unless something is done by the Food Administration or through an act of Congress to increase the price of wheat.

Secretary OUSLEY. I rather imagine that much of that testimony had to do with the original planting. I do not think that plowing up would affect the acreage that we reported as of the 1st of December.

Senator NORRIS. If you reported the acreage as of the 1st of December there must be a lot of wheat included in that that will not make more than 5 or 6 bushels to the acre, and the farmer would afterwards plow it up. That would interfere with your percentages to some extent.

Secretary OUSLEY. Yes; but he would likely put it into some other grain.

The CHAIRMAN. As I understand, the department made a drive for 47,000,000 acres, an increase of 18 per cent. You got 42,170,000 acres. In 1914 there were planted, voluntarily and without any campaign, 42,020,000 acres. In other words, there was substantially the same acreage planted in 1914, voluntarily planted, as was planted last fall after this campaign for increased acreage. Now, then, Oklahoma, Nebraska, and Kansas are the leading winter wheat States. Do you know how much the falling off was in Oklahoma?

Secretary OUSLEY. I do not; I have not the figures by States. I only know the total result; there was a 4 per cent increase. I only know, Senator, that while we got the 4 per cent increase we undoubtedly would have had the 18 per cent, and I rather think more, but for that drought in Texas, Oklahoma, Kansas, and Nebraska. Why, Senator, when I went home early last fall there was a movement on in my State to increase the winter wheat acreage 50 per cent. I protested against it, because we could not get a 50 per cent increased acreage in Texas without upsetting our whole agriculture. Many of our north Texas farmers last summer, before cotton took the big jump upwards, contemplated converting all their farms into wheat farms.

The CHAIRMAN. Now, Mr. Secretary, according to the Council of National Defense, the falling off in Oklahoma was from 20 to 25 per cent in last fall's sowing as compared with the year before. In Kansas, I think, Gov. Capper estimates the falling off is 25 per cent. In Nebraska it is a great deal more. The falling off in Nebraska was half a million acres.

Secretary OUSLEY. What did they say was the cause of that?

The CHAIRMAN. I do not know what the cause was in Nebraska, but I assume it was due to the extremely bad crop of last year. You know, when a farmer has a bad year with one crop, usually he does not plant so much of it the next year.

Secretary OUSLEY. Do you not think it was due to drought in Texas and Oklahoma?

The CHAIRMAN. Not in Nebraska; no, sir. I was coming to that, to see if you think that is really a sound basis for reaching that conclusion. Your December estimate for New York was 520,000

acres. In New York they are just completing a census of agriculture. It is now 90 per cent completed, and on the basis of that they say they will have 350,000 acres in New York.

Secretary OUSLEY. That is a very heavy loss.

The CHAIRMAN. Your estimate was 50 per cent higher than the fact, so that was not due to any drought.

Secretary OUSLEY. When was this census being taken?

The CHAIRMAN. It is in process now; it may be completed. Dr. Warren, of Cornell University, said the other day that they lacked 10 per cent of being through when he was here.

Secretary OUSLEY. What per cent of the total wheat crop is the New York crop?

The CHAIRMAN. I do not know, but the point I am making here is that your estimate for New York was a third off.

Secretary OUSLEY. No; it was not a third off at the time it was made. There may have been an abandonment of acreage.

The CHAIRMAN. They would not have abandoned any winter wheat at that time. This was sowed. Your estimate was 520,000 acres sowed. The census shows 350,000 acres.

Secretary OUSLEY. That, Senator, is a challenge of the accuracy of the Bureau of Crop Estimates?

The CHAIRMAN. It is; yes, sir.

Secretary OUSLEY. Of course, I do not know who is taking this census.

The CHAIRMAN. It is a State census.

Secretary OUSLEY. I know that the figures of the Bureau of Crop Estimates are frequently challenged, but its record of many years stands as the best evidence that it is about as nearly correct as any human agency can be. For that reason I would not be willing to accept a contradiction of the bureau's estimates in New York because I know how its estimates have been challenged before and how generally they have proved to be good.

The CHAIRMAN. It is merely a question as to whether the census would be more reliable than the estimate.

Secretary OUSLEY. The estimate is based on the reports of neighborhood reporters, you know.

The CHAIRMAN. This census, as I understand, is an actual census of the wheat acreage. The point I was making was that if the census was correct, of course you could apply that to other States. I was wondering where the loss in Oklahoma, Kansas, and Nebraska was made up. You see, there is half a million acres in Nebraska alone. What States have increased their acreage?

Secretary OUSLEY. That detail I can not give you; I only know the general results in terms of percentage. I can not carry figures in my mind. I shall be very glad to have the detailed information furnished you by the Bureau of Crop Estimates.

The CHAIRMAN. I have gotten it by States. One thing that rather discredits its estimate is this, that while Gov. Capper gives Kansas 25 per cent short I telephoned twice to the Bureau of Crop Estimates and they give Kansas exactly the same number of acres as for two years before. If that is their real estimate it would look more like guessing than estimating.

Secretary OUSLEY. On what does Gov. Capper base his opinion?

The CHAIRMAN. I do not know, and I do not quote him as a special authority. The New York census I would attach real weight to.

Secretary OUSLEY. Gov. Capper is a very intelligent man, and I do not mean to say that he is incorrect, but what I am trying to say is that it is not safe to accept the estimates of the most intelligent men here and there as against the neighborhood reports of the Bureau of Crop Estimates.

The CHAIRMAN. They give for Kansas 9,476,000 acres sown in the fall of 1916 and the fall of 1917. There is not one chance in a million of there being the same number of acres.

Secretary OUSLEY. That is the indication from the reports. It is in round numbers, you see.

The CHAIRMAN. But up to thousands it is exactly the same. The point is, these are the two facts that lead me here to question the estimate, as far as attaching too much weight to it is concerned. The survey in New York, which shows a falling off, and the estimates for Kansas being identically the same, with an admitted falling off in Oklahoma and Nebraska, due to the drought.

Secretary OUSLEY. For 20 years, Senator, I have seen the newspapers that are concerned about cotton and the cotton experts with their self-interest assail the bureau's estimates as to cotton one time after another, and for 20 years I have seen the estimates come out in the long run very nearly correct.

The CHAIRMAN. Their estimate of the cotton crop dropped in January about 20,000,000 bales, did it not?

Secretary OUSLEY. An estimate, Senator, of the yield of a crop at a given time is based upon the condition of the plant at that time and the assumption of normal weather from that time forward. Now, the weather may change and the yield may be short. If in September the Bureau of Crop Estimates indicates a yield of 12,000,000 bales, it means by that to say that that is based on the acreage, the condition of the plant at that time, and the average weather to be expected between then and the final harvest.

The CHAIRMAN. I can appreciate, Mr. Secretary, that you do not want to comment on or criticize another department, but I have here a little statement with regard to the price of wheat that I want to read into the record.

(The article referred to was read by the clerk to the committee, and is here printed in full, as follows:)

WAR PRICES AID FARMERS—PRINCIPAL CEREALS YIELDING 100 PER CENT OVER PREVIOUS YEARS.

Principal cereals are yielding the farmers over 100 per cent more money at present prices than in prewar years, according to figures issued yesterday by the Food Administration for the purpose of correcting any misapprehension regarding returns to producers.

Data furnished by the Department of Agriculture showed that \$2 a bushel for wheat is 131 per cent above the average price of 86.9 cents in the three years immediately preceding the war. Corn prices have increased 109 per cent, from 66.5 cents to \$1.388. Oats and barley each are worth 105 per cent more than before the war, oats selling for 78.7 cents, as compared with 40.4 cents, and barley for \$1.319, compared with 64.2 cents.

Higher prices paid by the public than those received by the farmers were said by the administration to be due to transportation difficulties.

The CHAIRMAN. That, Mr. Secretary, is of course a statement of prices received when the price of wheat was fixed last summer at \$2.75. The only point I care to have you comment on, if you care to comment on it, is that the price received has very little significance unless you examine the cost sheets.

Secretary OUSLEY. Certainly, that is true. I do not know what the cost sheet would be in that case.

The CHAIRMAN. The president of the agricultural and mechanical college in North Dakota made a study of that matter last year in North Dakota, and his average was \$2.19 per bushel as the cost of production. Of course that was due to the drought, but nevertheless it was the cost. In Minnesota a similar report was made, of \$3.01. Now, is it not your understanding that farm labor has gone up in perhaps as great proportion, if not more?

Secretary OUSLEY. I have not studied the figures sufficiently to make any estimate of the percentage of advance. Undoubtedly it has advanced.

The CHAIRMAN. And as to farm machinery, has not that also advanced?

Secretary OUSLEY. Undoubtedly it has advanced, I presume in about the same proportion as other commodities.

The CHAIRMAN. Still more.

Secretary OUSLEY. I do not know in detail.

The CHAIRMAN. I will have some figures read here which were given by Mr. John A. Simpson in his testimony before the committee. The dates may not correspond exactly with the wheat dates.

(The statement referred to was read by the clerk to the committee, and is here printed in full as follows:)

Mr. SIMPSON. When I came down here at wheat-pricing time I looked up all my old receipts for machinery that I bought when I moved to Oklahoma. I paid \$55 for my wagon and got two spring seats with it, because that was going to be my buggy as well as wagon. I went and priced the same thing 15 minutes before I took the train to Washington at wheat-pricing time, and that wagon then would have cost me \$135. My drill cost me \$50; it was then \$165. A lister that I bought for \$40 was then \$105. The barbed wire that went around my place that I paid \$2.10 for—and it had gone up just before I bought it—is now \$8.

The CHAIRMAN. You see, those figures show quite as liberal an increase if not greater than in the return from farm products.

Secretary OUSLEY. Those figures would; yes, sir.

The CHAIRMAN. We had Dr. Warren, of Cornell University, here the other day, Mr. Secretary, and he discussed the 100 leading articles on which Bradstreet bases his estimates of advances, and it showed that farm products had advanced less than anything else excepting the labor. As I remember, labor is the only other thing that dropped. Perhaps you have not made any study of that?

Secretary OUSLEY. I have not. I hope it will not be understood that I think farm prices are too high. I do not think that. In fact, I have spent the greater part of my life trying to make farm prices higher.

The CHAIRMAN. Reverting just for a moment to price fixing, I inferred from what you said that you were under the impression that Congress fixed the price on wheat for last year.

Secretary OUSLEY. I was speaking of the food-control act, fixing the price of wheat for 1918—that is, the minimum price.

The CHAIRMAN. Is it your understanding that that price could be raised—of course it has been raised now by the President's proclamation to \$2.20?

Secretary OUSLEY. Yes, sir.

The CHAIRMAN. Is it your understanding that \$2.20 is a minimum price and that it will be allowed to take its chance in the market?

Secretary OUSLEY. Senator, I sometimes profess fair knowledge of the English language, and my friends sometimes say I have some skill in the use of it but when it gets into legal documents I do not know what it means.

The CHAIRMAN. I merely want in passing to disclaim on behalf of Congress any effort at fixing prices on the 1917 crop. I do not think anybody could have been more amazed than every Member of the Senate that anybody should assume it had fixed the price for 1917.

Secretary OUSLEY. Of course, I did not contemplate that either.

The CHAIRMAN. On corn you would not care to express a figure?

Secretary OUSLEY. As I said a while ago, I do not want to discuss the price-fixing policy.

The CHAIRMAN. Or is it true as to cotton? You would not care to embark on that?

Secretary OUSLEY. I do not want to discuss it, Senator. [After a pause.] I think that since you ask the question I would seem to be evasive if I did not answer; and, reluctantly, I am compelled to say I am not in favor of price fixing to producers of farm products.

The CHAIRMAN. I am glad to hear you say that. The question may come up, and I am going to resist the effort to fix any price on corn, cotton, or anything else that grows on the farm, and I wanted the weight of your authority on that side if you could give it.

Secretary OUSLEY. I would say that I would have preferred not to discuss a question that will be controversial in Congress, but since you ask me I can not afford to remain silent at the expense of my own self respect, and I must say I am opposed to price fixing.

The CHAIRMAN. I did not want to be doggedly persistent, and if you insist we will omit it from the record and let it go at that. However, I appreciate the value of it. We have had witnesses who indicated their opposition to it very strongly.

Secretary OUSLEY. Senator, do not let that go in without the statement that in making the statement I am speaking of future price fixing. I do not want to be in the attitude of criticising the act of Congress or the act of the administration. In fact, I am not willing to say because I do not know. It is a subject so broad in its scope and has so many subtle factors involved in it that I am not willing to say we ought not to have fixed a price for this or that commodity. I am just now speaking of future policy.

The CHAIRMAN. We can easily draw our inference as to past policies. There is no limitation of our powers in that direction. We have had witnesses here, Mr. Secretary, who said that the corn fed into the hogs is worth more than the hogs are to which it was fed.

Secretary OUSLEY. I discussed that with the Senator at the end of the table awhile ago. I think it depends on the circumstances and the situation on the individual farm or in the region and the character of the corn.

The CHAIRMAN. I assume where a man raised a hog and raised the corn—

Secretary OUSLEY (interposing). If the man had that hog and had the corn at present prices I would rather think it would pay him better to sell the corn and sell the hog. But the farmer who is maintaining a farm establishment with the intention of keeping a herd of

hogs and had good pasture and wants to maintain the fertility of his soil with the fertilizer from the animals, that farmer can well afford to feed a little high-priced corn to finish his hogs and keep his establishment in good running order.

The CHAIRMAN. You see, a farmer is really in this situation. He may have to convert the fertility of his soil and the growing capacity of the animals and his own labor into money at less than they are worth?

Secretary OUSLEY. Oh, yes; he may have to do that; but if he does not have to do that as a matter of necessity it will pay him to feed some high-priced corn to the hogs and keep up his herd.

Senator NORRIS. That would not have a tendency to increase the production of pork?

Secretary OUSLEY. No, we will not get any increase, Senator, from that farmer who is already maintaining a good herd. The increase we hope to get is on the thousands of farms where there are no hogs, where hogs can be maintained and fattened at a very small cost.

Senator NORRIS. Do not all farmers raise hogs?

Secretary OUSLEY. No, not by any means.

The CHAIRMAN. The recent survey in my own State shows 7 sows to 9 farms.

Secretary OUSLEY. That is a much larger percentage than prevails in the cotton belt.

Senator NORRIS. That survey was taken at a time when there had been a decrease going on for a long time; in fact, it was taken to show that kind of a decrease; that was not normal conditions.

Secretary OUSLEY. I think the agriculture of Oklahoma is better balanced in that respect than the agriculture, for instance, of the other parts of the cotton belt.

The CHAIRMAN. There is no doubt about that.

Secretary OUSLEY. But there is a great improvement in that respect, Senator. You are speaking of determining prices by an individual operation. I saw an establishment at Spokane where a man is raising hogs at 10 cents a pound. He is a careful business man and knows what he is doing.

Senator NORRIS. There is a class of men, Mr. Secretary, who can produce hogs at that. For instance, the alfalfa man, who turns his hogs into the alfalfa field year after year, but if he continues to do that he will eventually destroy that alfalfa field. He will, during the operation, make some money, but the alfalfa farmer, compared with the farmer who does not have alfalfa, is a very small item.

The CHAIRMAN. The fundamental problem in this situation is not to maintain production under average farm conditions, because that will not get us anywhere. We have got to maintain production under conditions lower than the average, don't you see; otherwise the average itself falls and it is really the man who is an ineffective and uneconomical producer that we have got to stimulate and maintain the activities of, because if the conditions are such as to force him out that breaks the average down.

Secretary OUSLEY. That is true, Senator. But you must not be misled by a good deal of what you may call "speculative farming."

The CHAIRMAN. I am not. I am taking the average farm conditions.

Secretary OUSLEY. Mr. Lasater here is a cattleman, and he will bear witness to the fact that many times long before we ever dreamed of a war with Germany cattle feeders have lost money one year out of two or three, or maybe two years out of three, because market conditions had changed under the natural laws or under the commercial conditions prevailing. On the other hand, you can take a farmer who raises nothing but wheat, keeps a big establishment, has a big investment, puts in his time only at planting and harvesting time, and is not employed otherwise during the year. Or you can take a farmer who plants nothing but cotton and works half of the days in the year and figure out his gross return, and it figures out a very small income. That is more or less speculative farming. But you take the cotton farmer—I speak of him confidently, because I know him better—who distributes his labor in such a way that he is employed all the year by having a variety of crops and who utilizes the waste on his farm for milch cows and for brood sows, and keeps a flock of chickens and raises his own potatoes and vegetables instead of buying them from the store—that kind of a farmer will prosper with cotton at 12 or 15 cents a pound, whereas the other kind of farmer will not more than make a bare living with cotton at 30 cents a pound. You can not base the agriculture of the United States on these speculative, unbalanced, poorly distributed conditions from the standpoint of labor. But you must take it on well-ordered agriculture—and it is the well-ordered agriculture that the Department of Agriculture is trying to encourage—and if we can get that kind of well-ordered agriculture, if we can get a sow on every cotton farm in the South—I do not mean a cotton plantation like Senator Ransdell's, but I mean if every one of his tenants would practice it—and we could get food and feed raised by every one of these tenants, we could greatly increase food production without reducing the cotton output.

The CHAIRMAN. That is undoubtedly very desirable and ought to be done, Mr. Secretary. But we can not depend in a crisis on well-ordered agriculture.

Secretary OUSLEY. But it responded pretty well last year, and I think it is going to respond this year.

The CHAIRMAN. That is the point I am coming to, whether it will respond or not. If the farmers are selling hogs for less than the corn cost to fatten them; if farmers are selling cattle and selling sheep for less than the feed cost to prepare them for market, that is a condition well worthy of the most serious consideration. We have had testimony here from a number of witnesses who are not "speculative farmers" altogether. We have had testimony here from practical farmers; and they have said that they can not sell the hogs for as much as the corn cost. I had a letter the other day from a farmer in my State to the effect that one man had sold his hogs for \$100 less than the corn cost that went into them. Another man stated he was losing 45 cents a bushel on every bushel of corn he fed his hogs. I had a letter from a gentleman at Omaha who said that hogs that day were selling at \$4 less per 100 pounds live weight than the corn would cost to produce that weight as quoted in the Omaha Grain Exchange that day.

Those are factors we can not close our eyes to; and the farmer in the long run can not be expected to increase production under those circumstances.

Secretary OUSLEY. I think that ought to be considered.

The CHAIRMAN. It is not a matter of will, volition, or patriotism about producing at less than cost. There is a time when that has to be met, and I was wondering if you had made any estimate between the price of corn and live weight of hogs.

Secretary OUSLEY. No, not further than the general impression given out in the statement by the Food Administration that it endeavored to maintain the ratio of 13 to 1.

The CHAIRMAN. And it is not anything like that to-day.

Secretary OUSLEY. I do not think it is. I would like to see such ratio obtain as would give producers a reasonable profit.

The CHAIRMAN. They endeavored to maintain the ratio of 13.3. You see, the hog production was below normal, and they estimated that maintaining a ratio of 13.3 was necessary to raise it to normal and 14 to 1 was necessary to bring about the required or desired 15 per cent increase. Of course, that will not be done if hogs are selling at less than cost of production.

Secretary OUSLEY. No.

The CHAIRMAN. We had a man here yesterday who submitted five schedules of cost of feeding cattle, showing that cattle which had been bought at 12 and a fraction cents and over had been sold at 12 and a fraction cents.

Secretary OUSLEY. Beef cattle are undoubtedly too low.

The CHAIRMAN. That man lost eight odd dollars a head on those steers.

Secretary OUSLEY. Yes, sir.

The CHAIRMAN. You are entirely right when you say there are factors which neither the cattle man nor the Government can control.

Secretary OUSLEY. Yes.

The CHAIRMAN. The desirable thing to do is to separate the uncontrollable from the controllable factors, and let us operate on the controllable factors as far as we can. And there is belief in certain quarters that all steps are not being taken—not by the Department of Agriculture—but by the Food Administration to maintain prices of live stock at a satisfactory point. Of course, I would not care to have you comment on that, because I realize you would not care to do so.

Secretary OUSLEY. Oh, no. But if you put it that way, Senator, I am satisfied that the Food Administration is giving the most conscientious and intelligent study to this subject. I might not agree with its conclusions.

The CHAIRMAN. I do not know whether your attention was called to a letter written by Cudahy's man in Chicago to Cudahy's representative in Omaha. I would like to have that read to you, because I think you are mistaken about that. You might not care to say. The letter I refer to details what was said by Mr. E. Dana Durand, Mr. Cotton's assistant, and therefore Mr. Hoover's assistant, before the representatives of five packing houses in session in Chicago. I would like you to hear it.

(Mr. Thompson, clerk to the committee, thereupon read as follows:)

Dr. Durand said that this thing would have to be handled in some way to avoid advancing of the cattle market—that that was the thing that absolutely must not come about, and if it did, he would take drastic measures to prevent it. * * *

The CHAIRMAN. That is Mr. Durand's statement as reported by this Cudahy representative.

Secretary OUSLEY. Who is Mr. Durand?

The CHAIRMAN. E. Dana Durand, who used to be Director of the Census. He wrote Mr. Garfield's report a few years ago in regard to the packing houses, and he is alleged to have taken some part in trying to keep the resolution from passing the House to investigate the packers—and the resolution did not pass for that matter. He is Mr. Cotton's assistant in the Food Administration; and we had evidence here yesterday that could not be controverted that men were selling cattle at enormous losses running from \$25 to \$75 per head.

Secretary OUSLEY. I do not think there is any doubt about that, Senator.

The CHAIRMAN. And this struck me, that perhaps the Food Administration was not making every effort possible.

Secretary OUSLEY. Before reaching any conclusion on that, of course, I would want to hear what Mr. Cotton and Mr. Hoover had to say about it.

The CHAIRMAN. Certainly.

Secretary OUSLEY. That is exparte. I would want to hear the other side before I formed an opinion.

The CHAIRMAN. Before returning a verdict. But the market quotations return the verdict that the price of hogs per hundred pounds is not 13 times the price of a bushel of corn.

Secretary OUSLEY. That is true.

The CHAIRMAN. There is not any debate about that?

Secretary OUSLEY. No.

The CHAIRMAN. We had like evidence here in regard to the sheep situation, which is farther west.

Secretary OUSLEY. I have no information about sheep at all. I have not made any study of sheep prices.

The CHAIRMAN. One more point on this labor situation. You suggested, and it has been blazoned abroad, that only 1 per cent and a fraction of the farmers had been drawn. There are two factors that are overlooked in that statement: In the first place, a larger percentage of registrants passed the physical examination in the agricultural States than in the industrial States. I will have a statement read to you about the percentages in the Dakotas and Pennsylvania, which is very interesting as showing how letting it run its own way discriminates against the agricultural States and against the farmers, a matter that could be easily overlooked in an analysis of the figures.

(Mr. Thompson, the clerk to the committee, thereupon read as follows:)

South Dakota, 85.87 per cent.

Nebraska, 79.85 per cent.

Wyoming, 78.47 per cent.

Those were the three highest in percentage of registrants taken.

The three lowest were:

Pennsylvania, 53.33 per cent.

Connecticut, 53.70 per cent.

Vermont, 56.18 per cent.

The CHAIRMAN. That percentage prevailed in all agricultural States except through the extreme South where there are a great many negroes.

Mr. Secretary, the point is a very comparatively low number passed in Pennsylvania and in the industrial States, but of those passing a larger number of farm registrants were drawn out.

Secretary OUSLEY. That is very interesting, and I am very glad you developed it.

The CHAIRMAN. You see there is not only a larger number who passed physically, but a larger percentage drawn of those who did pass. But I think it has been developed here that the loss of farm labor on account of the attraction of the industries has been greater than the draft.

Secretary OUSLEY. Undoubtedly.

The CHAIRMAN. This census of New York—you will be very interested to know it—shows that from April, 1916, to April, 1917, they lost 15 per cent of their farm hands; and from February, 1917, to February of this year they lost another 15 per cent, which would make nearly 30 per cent of the total number two years ago.

Secretary OUSLEY. If we would exempt farm labor entirely we would not correct this disturbance.

The CHAIRMAN. Oh, no.

Secretary OUSLEY. That only emphasizes the point I made a while ago, that, in my judgment, we have got to impress upon the towns and cities the necessity of their sparing some of their labor and putting themselves to very much inconvenience to cultivate and harvest these crops. The farmers are going to plant the crops. And even though we might have retained now and very likely will have retained under Gen. Crowder's last announcement every man now engaged in agriculture for the full year, we have got to have some labor from somewhere else, and we can only get it from the towns, from the commercial occupations and offices, and unnecessary industries.

The CHAIRMAN. I agree as to the unnecessary industries.

Secretary OUSLEY. I think you can not emphasize that too much. If we can not get it voluntarily from the unnecessary industries, I think Congress will have to give us some legislation in that regard. There is not a nonessential industry in the United States that can not stand the loss of 3 to 15 days during the cultivating season and the harvest season in order to assist in cultivating and harvesting the crops. I do not think anybody will go bankrupt on account of closing the factories temporarily. It may be a very great inconvenience and a very great hardship to some people. But war is inconvenient and a hardship, and these cities and towns have got to stand their share of the inconvenience and hardship.

Senator RANDELL. Would it be practicable to close the factories 15 days in the spring and 15 days in the fall, and take those laborers out on the farm to plant the crops and in the fall to harvest the crops? Could you work that out along business lines and get good results?

Secretary OUSLEY. I do not think you can, Senator, without doing very great injustice in a great many cases. But I do think if every Member of this Congress would immediately communicate with every man of influence among his constituents and lay this problem before

them that they have got to take the responsibility for furnishing farm labor, I believe that the communities will do it.

Senator RANSDALL. I feel it would be practically impossible.

Secretary OUSLEY. I think it is a movement in which we have got to depend very largely upon public opinion and local leadership. I speak so confidently, because it was done in so many places last year and it is now being done. If we can make it general it will solve the problem.

Senator RANSDALL. We certainly ought to avoid law on the subject. We have too much law now.

The CHAIRMAN. Mr. Secretary, the committee feel very grateful for your attendance and thank you for your statement.

(Thereupon, at 12 o'clock (noon) the committee adjourned to meet tomorrow, Thursday, March 14, 1918, at 10.30 o'clock a. m.)

INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

THURSDAY, MARCH 14, 1918.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10.30 o'clock a. m., in the committee room, No. 326, Senate Office Building, Senator Thomas P. Gore, presiding.

Present: Senators Gore (chairman), Smith of Georgia, Ransdell, Thompson, Johnson, Kendrick, Gronna, Norris, and Kenyon.

The CHAIRMAN. Gentlemen, Mr. Burke, of Omaha, is here this morning, and we have asked him to address the committee.

Mr. Burke, will you kindly state your full name, residence, and business.

STATEMENT OF MR. E. L. BURKE, OMAHA, NEBR.

Mr. BURKE. My name is E. L. Burke; residence, Omaha, Nebr.; I am a farmer and stock feeder, more particularly a feeder of live stock.

The CHAIRMAN. Mr. Burke, you understand the work the committee is engaged in considering. We have before us the food situation generally and the meat and wheat situation in particular. We will be glad to hear you in regard to the meat situation.

Mr. BURKE. Mr. Chairman, I would like to explain, first, that I am speaking from my own personal viewpoint and not as a representative of any committees or associations to which I happen to belong. I am a member of a number of live-stock committees, two of them connected with the Food Administration, and one of them connected with the American Live Stock Association.

The CHAIRMAN. What are the two committees of which you are member connected with the Food Administration?

Mr. BURKE. The committees of which I am a member connected with the Food Administration are the cattle advisory—

The CHAIRMAN (interposing). When was that committee constituted?

Mr. BURKE. That committee was constituted last fall, probably along in November, of which Mr. Cotton is the head. He is the chief of the meat division, and he has two committees, one the hog committee and one the cattle committee. They are advisory committees and each committee is composed of five men, supposed to be practical men, who advise with Mr. Cotton from time to time as he may want them. I am chairman of the cattle committee, and also chairman of the Nebraska State Livestock Committee.

Senator THOMPSON. You are chairman of which committee?

Mr. BURKE. I am chairman of the Cotton's advisory committee on cattle, and also of the Food Administration State Livestock Committee of Nebraska. That committee consists of about 21 stock men in Nebraska.

The CHAIRMAN. Can you name the five who constitute the first committee?

Mr. BURKE. The cattle advisory committee?

The CHAIRMAN. Yes, sir.

Mr. BURKE. It consists of Mr. A. S. Gage, of San Antonio, Tex.; Mr. Warren P. McCrea, of Kentland, Ind.; Mr. W. A. Cochel, of Manhattan, Kans., who is the head of the animal husbandry there; and Mr. Dwight Heard, of Phoenix, Ariz.; and myself.

The CHAIRMAN. Mr. Burke, we will ask you to go ahead in your own way and make any statement you see fit to submit. Particularly what we seek is as to the present situation with regard to meat supplies and how those supplies can be improved or maintained.

Mr. BURKE. I would like to speak first, in rather general terms, as to the live-stock situation. In my opinion the live-stock industry, and, to a certain extent, the country, faces a crisis. The situation, I believe, in regard to live stock is very serious. Owing to the way the live-stock industry has been handled, partly by governmental agencies and partly from natural causes, over which they have no control, the confidence of the producers in their industry and in these governmental agencies have been destroyed. If production of live stock is to be maintained in this country, the morale of the live-stock producer must be restored, and I believe, in a general way, that the only manner in which it can be restored is a practical, clean-cut live-stock policy announced by the Department of Agriculture and Food Administration—one policy, which includes distribution as well as production; so that the live-stock producers may know what they should work for; what they can depend upon.

In the first place, it must be thoroughly understood by the producer to what extent live-stock production is desirable. When I say "live-stock production," I mean meat production. If meat production in normal or abnormal quantities is desired, the live-stock producers of the country should know it, and they should know it right away, because the time has come when the live-stock producers of the country are making their plans for another year. Agricultural products are not something and live-stock production is not something that can be increased overnight. It requires many months.

I have prepared a statement in regard to the livestock situation, which gives my general viewpoint in regard to it. It is rather a short statement, and I think it might be interesting for me to give it to the committee now; and then I would like, after that, to show, by certain statistics and facts which I have to offer here, how the present situation has been brought about, and give some constructive suggestions as to the way it might be remedied.

The CHAIRMAN. Go right ahead in your own way, Mr. Burke.

Senator JOHNSON. Mr. Burke, does that statement you have cover fully the grounds of the dissatisfaction of the stock producers?

Mr. BURKE. I think it does; it is not a long statement, and I will proceed with it now.

The outstanding features of the live-stock situation are the placing of the packers under the control of the Government by Federal license, and the investigation of the packers by the Federal Trade Commission. Placing them under control was the greatest step forward for the industry in a generation. It is the duty of the producers to see that the control is made more and more effective.

The packers at present are under a loose control. The Government has them under a license but are driving them with a loose rein during this first period, and the organization of the Food Administration is such that necessarily for the first three months' period the control has been very loose.

The Federal Trade Commission, with Mr. Francis J. Heney as its attorney, has recently given to the public enough facts regarding this monopoly and the underhand and unfair methods by which it was secured and maintained, to fully justify all the claims of the American National Live Stock Association in demanding the investigation. The disclosures already made have started a prairie fire which can not be smothered. The general public are now bound to know all the facts and pass judgment on the men who control this great industry. The Federal Trade Commission will in the end make constructive recommendations to Congress and the President, which will doubtless result in permanent Government control, and the placing of the packing business on a basis where it will be compelled to deal fairly with both producer and consumer. Every stockman should make it his business to see that this is done. To return to the live stock situation as it stands to-day, it is far from satisfactory.

Senator THOMPSON. Would you submit to a question right there?

Mr. BURKE. Certainly; I should be very glad to.

Senator THOMPSON. What would you think of the Government taking over and operating and controlling the packing plants completely during the war?

Mr. BURKE. I think that should be done only as a last resort. I do not believe in swapping horses at this time. I do not believe that the Government has the organization to handle it. I think it would be very unwise.

The war has sadly dislocated the machinery. There is no cause for immediate alarm, because there are undoubtedly liberal supplies of fat cattle and sheep in the corn belt and a moderate supply of fat hogs. The amount of frozen meat is very large; beef on February 1 amounted to almost 300,000,000 pounds, far above the normal supply. I might say, gentlemen, that is about three-fourths of our total exports of beef products for a year. The immediate future, as far as meat supplies are concerned, is well taken care of; but there is grave concern for the future, for the reason that producers of meat animals in the corn belt have been compelled to accept less than cost of production on this season's output. I might say, very, very much less on both cattle and sheep; not so much less on hogs. This year's price is the producer's guide for next season's production. Unless proper steps are taken to restore the confidence of the producers in the business, there will be a diminished supply and a real shortage of animals available for slaughter next year, even though there are in the country normal numbers of cattle, hogs, and sheep, as shown by the Department of Agriculture on January 1, 1918. Feeders of live stock have gradually awakened to the fact that

prices for the primary products (except wheat), such as hay, corn, oats, barley, rye, cottonseed meal, and mill feeds, have risen to unheard-of levels under the free play of supply and demand. They themselves have been the principal buyers for these primary food products, as few of them raise all of their own feed. By their feeding operations, they saved from total loss a large part of the soft-corn crop, as its condition would not permit shipment.

The feeders of live stock had every reason to expect that the secondary products which they produced would be given the same fair treatment in the market that primary products received. The Food Administration and the Department of Agriculture promoted a propaganda for the increase of the meat supply. Producers were encouraged to believe that they could count on fair prices. An indiscriminate increase was urged, with particular emphasis on hogs. The stockmen responded, and what has happened? The Government from the start, ignoring the cost of production, has controlled prices in the interest of the consumer.

Now, gentlemen, that is a matter I want to take up in detail later when I submit my statistics. The control of the packing industry has made this a comparatively simple matter. Restrictions on the consumption of all classes of meat has been made effective without regard to the fact that mutton is used neither for export nor the Army, and that its use would release pork and beef for war purposes. And I might add, without regard for the fact that there were ample supplies of both mutton and beef to satisfy the domestic demand and the export demand. Proper attention has not been paid to the fact that up to the middle of February prices of beef and mutton, relative to cost or production, have steadily declined, while stocks of beef have been accumulating in warehouses. The meatless and wheatless days have become "symbols by which people pledge themselves to win the war." The curtailment in consumption has been carried far beyond the so-called "meatless days."

I will take that up later in detail and explain what I mean.

The CHAIRMAN. Mr. Burke, will you, when you take that up in detail, show the reaction on prices which have resulted from the meatless days?

Mr. BURKE. Yes; I will be very glad to show how that diminished demand forced down the price.

It must be remembered that the price of wheat is protected by the Government, while prices for fat cattle and sheep are not. Hogs are supposed to be to a limited extent. As a result of the Government's policy, prices have been continuously below cost of production, not only on the few highly finished cattle and sheep, but on the average. Hog producers also made no profit. The meat producer has been squeezed by artificial control of his products at the top and unlimited competition for the primary products of which he is a buyer, from below. High priced labor and transportation difficulties have greatly added to a bad situation. Often it has been impossible to get corn for shipment, so that feeders have been compelled to hold their high priced boarders after they were ready to go to market and charge the bill to the war. The result is that sheep feeders have been the hardest hit, cattle feeders next, and hog producers next. The meat producers of the corn belt have stood the loss and the consumers have received the benefit. I might say there that probably

the retailers and the packers have also been somewhat benefited. It would not be a matter of so much concern if it ended there, but what about the future? I have brought out the facts, not for the purpose of calling attention to the mistakes and shortcomings of any particular department of the Government, but solely for the purpose of correcting an intolerable situation, so that meat producers may be able to contribute their fair share toward production in the future.

Throughout the corn belt there is a rising tide of discontent, lack of confidence, and apprehension as to the future, and unless constructive remedies are promptly adopted the nation's future meat supply is in serious danger. The Government at last has temporarily taken off the ban on mutton and to a certain extent on pork and beef, but not in time to save the producer from loss. The plain fact of the matter is that ever since last fall the Government has overlooked a moral obligation to meat producers. If it is in the interest of the public welfare to continue the present system of indirect control with its meatless day and meatless meals, then it is the duty of the Government to provide protection for the producer whose profitable market it thereby destroys. The only other alternative is for the Government to abandon the present policy of restricting the outlet and the controlling of prices in the interest of the consumer and allow the demand for meat products free scope, at the same time assuring the producer that the markets will be kept free from unfair practices on the part of the buyers. As the matter stands, the live-stock producers in the corn belt are very much at sea as to the future. Between their desire to furnish the necessary meat supplies for the country at this crisis, and their natural instinct to protect themselves and their families from financial loss by withdrawal from a business where they have received unfair treatment, they are in a dilemma. Naturally, they look for some definite word from Washington.

The average stockman is also a farmer and the time is here when he should make his plans for the coming season. Is it for the general interest that he remain a live stock farmer or should he devote his attention to something else? Last season the farmer was allowed to drift; an indiscriminate increase in production was urged. The crop yield, as already shown, owing to unusually favorable conditions during the growing season, was large. According to the law of chances we can not expect this season to equal last year's production—next to the largest on record. The amount we can produce will be limited by both climatic conditions and labor supply. Lack of transportation is also likely to seriously interfere. There should be no more drifting, no more vague and general assurances from Washington. A definite production program is the crying need of the hour. The producer wants to know the essential things, and in what proportion they are needed; otherwise, there is grave danger that he will follow along the lines of least resistance—which is to seed down the meadow and pasture, land which should be producing grain. Any easy self complacency which goes on the theory that production without a vigorous governmental leadership will work out all right, will prove disastrous to the country.

Senator SMITH of Georgia. Unless the Government let alone their markets? If the markets were all left free, we could rely upon the normal individual effort of the producer?

Mr. BURKE. Yes.

Senator SMITH of Georgia. But when we begin interfering, then it is we must consider something to lead and direct?

Mr. BURKE. Of course the average producer does not understand either the international situation nor the national situation. He does not know what the essentials are and in what proportion they should be produced. If the Government will tell him what it wants and how much it wants, and then say that they will keep their hands off the market and give it free and unrestricted play, the producer will keep at his job, in my opinion.

Senator KENYON. There is not any free market on account of the packers?

Mr. BURKE. Now that the packers are under control, I assume, if it is made an effective control, as it ought to be, that we will come a great deal nearer having a free and untrammelled market than we have in the past.

Senator KENYON. With the hold the packers have had there has been no free market, has there?

Mr. BURKE. Not up to the present time.

Senator KENYON. Is not that the rock in the stream?

Mr. BURKE. Yes, it is; but I believe we have got to assume that the Government control over the packers could be made effective.

Senator NORRIS. Is it made effective under the present system?

Mr. BURKE. Senator Norris, I thought I explained at the start that I thought it was very loose and ineffective at the present time. They are driving them with a loose rein at the start. The Food Administration has no organization—very few men in the packing houses—I think, two or three.

Senator NORRIS. Is this true—if you know about it—that the packers, since they have been under license, have been practically paying to the producer the prices that have been designated by the Food Administration?

Mr. BURKE. I would not like to make as broad a statement as that. I think the prices that the packers have paid the producers have been influenced very much by the suggestions made by the Food Administration.

Senator NORRIS. Has there not been an understanding between the Food Administration and the packers as to the price the packers should pay, and has not that understanding in the main been carried out?

Mr. BURKE. The data that I intend to submit in regard to that goes about as far as I would like to go.

Senator NORRIS. If you are going into that, I will not press my question.

Mr. BURKE. I am going into that with certain data which I intend to submit.

The CHAIRMAN. The packers are a permanent bear factor in the sheep, cattle and hog market; they depress the price all they can, I suppose?

Mr. BURKE. I would be inclined to think that the packers come just about as near starving the goose as they can.

The CHAIRMAN. They depress the market as much as they possibly can?

Mr. BURKE. They do not want to kill the goose off, you know. They want to keep him producing golden eggs. I think they have it

in their power to kill him entirely if they so desire, but I think they are a little too smart for that. I think they want to feed the goose enough to keep him alive.

The CHAIRMAN. So far, has not the Food Administration rather been a bear influence, in conjunction with the packers, or will you discuss that later?

Mr. BURKE. I will be very glad to submit some data I have in regard to that.

The CHAIRMAN. I allude to Mr. Durand's attitude. If you will discuss that later on, go ahead.

Mr. BURKE. Yes, I will discuss that.

Senator JOHNSON. May I ask you one question, Mr. Burke?

Mr. BURKE. Yes, indeed.

Senator JOHNSON. Do you not feel that the first real and necessary thing to do is to make very drastic the control of the packers; is that not the most important feature to start on?

Mr. BURKE. It is. This ought to be done at once. I think also that as soon as the Federal Trade Commission can turn in their report, in which there will no doubt be constructive recommendations, that legislation will probably be needed to make effective the sort of control that they recommend. I think that will be the next big step forward in handling the live-stock industry of this country. I do not believe that the live-stock industry of the country can ever be on a proper basis and be developed as a great industry of this kind should be developed, until the monopoly that controls it to-day is properly regulated, so that a man going into the business will not be at the mercy of five men.

Senator JOHNSON. I think that really is the basis to start adjustment on, touching this question.

Mr. BURKE. Except in this merely temporary contingency caused by the war, the Food Administration is merely the connecting link between the old and the new order of things; they temporarily can exercise this control, which eventually we must make permanent, and the better they do it and the more they learn during the war in controlling these people and working out the problems connected with it, the further advanced we will be when the time comes for handling them for good.

Senator THOMPSON. But that is not the remedy during the war complete control by the Government?

Mr. BURKE. I understood you to say "Government operation."

Senator THOMPSON. How can you control unless you do operate?

Mr. BURKE. The same men own the business and make the profits or losses that go along with the business. They simply operate their own business under effective Government control. I understood you to ask me whether I would recommend Government operation, which I would think is just like taking over the railroads; the owners have nothing whatever to do with the losses or gains of the business.

Senator GRONNA. How far would you extend this control, Mr. Burke? Would you extend it to the consumer and the producer?

Mr. BURKE. I would extend it just as far as may be necessary to make sure that the producers and consumers get a square deal. Wherever that leads to, I would go that far, and nobody knows how far that goes until the time comes.

Senator THOMPSON. That would be the same as regulating the profits.

Mr. BURKE. They are controlled and also regulated now.

Senator THOMPSON. What difference would there be in the case of the packing plants than the railroads during the war?

Senator KENYON. You guarantee the railroads dividends.

Mr. BURKE. You do not guarantee the packer any profit. You say he shall not make over a certain profit. The railroads you are guaranteeing a profit, but the packing industry is simply allowed to make up to a certain profit.

Senator NORRIS. Mr. Burke, on that question that you have just been discussing: This is one thing that bothers me, and I get it from the evidence, and not because I have not sympathy with all of the men who are trying to handle the matter, particularly the Food Administration—but the evidence here has disclosed over and over, and, as I understand, you rather agree to that proposition, that under the present management the packers are rather favored by the Food Administration. If we effect a more complete control of the packing industry and the same men—which would probably be true—would have charge of that control, and could we expect relief from men who, apparently, so far, are in sympathy with the packers in this control?

Mr. BURKE. In the first place, I would not agree to your proposition, that the same men would have control.

Senator NORRIS. I can see that might not be.

Mr. BURKE. I think an entirely different class of men should have control. I think the men who are in control now are biased, not so much in favor of the packer as you intimate in your statement as in favor of keeping prices down for the benefit of the consumer. That is where the Food Administration errs in losing sight of the cost of production. It has left out apparently of its calculations the producer and the fact that the producer could not and would not keep on producing unless some consideration was had for costs of production. It has ignored that from the beginning.

Senator NORRIS. If the packer gets an enormous or too great a profit on his part in the work, it must come out of one or both, the consumer or the producer; he is the middleman. If we get a more complete control, and would use the Food Administration as the instrumentality, it seems to me that we would not be getting the relief that we ought to get, because if this evidence that has been disclosed here so far is true, the Food Administration, as between the packer and the producer, have always leaned to the packer.

Mr. BURKE. I will not say that.

Senator NORRIS. Speaking from the evidence before this committee, I say.

Mr. BURKE. To be sure, they have allowed the packer what I would consider liberal profits, and they have had very little regard for cost of production—I would not say intentionally, but because they know very little about the production problems. They are like babes in the woods so far as production problems are concerned, and I would not say that intentionally they have intended to do the producer an injustice, but that is the result their policies have always amounted to.

Senator NORRIS. If they kill the producer, he is just as dead whether they do it "intentionally" or accidentally?

Mr. BURKE. Yes, sir.

The CHAIRMAN. If we should strengthen Government control over the packers or have Government operation, as has been suggested, do you not imagine the same men would be put in control?

Mr. BURKE. No, not at all. I do not believe a set of men should be in control of the packers who are particularly interested in buying products at very low prices.

The CHAIRMAN. I understand that, but—

Mr. BURKE (continuing). Who are enormous buyers themselves, as are the people who are in control.

The CHAIRMAN. You did not catch my point. I did not say what manner of men you thought to be appointed.

Mr. BURKE. You asked me if the same men would be in control.

The CHAIRMAN. Have you any reason to assume that the same men would be appointed?

Mr. BURKE. I think in picking out the men who would control the packing industry that it could be assumed that men who are interested in buying a product as low as possible would not be put in charge.

The CHAIRMAN. In putting a man in charge of the coal business you would assume a man would be appointed who would know something about the business?

Mr. BURKE. Yes; I would assume that, too, and carry it right along to the packing business. The fact these men do not understand production problems would be the strongest argument against putting them in control.

The CHAIRMAN. The point is, we have had our heatless weeks and our "blue Mondays." Of course we passed a law here—I did not vote for it—

Senator KENDRICK (interposing). Mr. Burke, clearly your idea is that there should be representation of all interests on the board of control?

Mr. BURKE. Absolutely.

Senator KENDRICK. The producer, the consumer, and the packer?

Mr. BURKE. The producer, consumer, and the packer should all be fairly treated, and in order that they should all be fairly treated they should all be represented on a board of control.

Senator NORRIS. You have been on the advisory committee representing the stock men in the capacity of a sort of an advisory agency to Mr. Cotton?

Mr. BURKE. Yes.

Senator NORRIS. Have you been satisfied that Mr. Cotton and Mr. Durand, his first assistant, have understood the problem of production?

Mr. BURKE. Not at all. I have been satisfied that they do not, and that they were not particularly interested—

Senator NORRIS (interposing). You would not be at all satisfied if Mr. Cotton were put in charge of the packing business?

Mr. BURKE. Why, no; I think not. I think some man who understands the problems of production should be put in charge of the business.

Senator NORRIS. I agree with you fully.

The CHAIRMAN. Let me offer this idea: The apparent trouble about most Government control is that we assume, when we undertake it and provide for it, it will be done in the idealistic way, and we presume men who are idealistic in qualifications will be appointed; but when it comes to choosing the man you can not eliminate the personal factor from the equation, and you get Mr. Hoover to administer food, to look after production in the United States, who knows nothing about it, who is an engineer, and you get Mr. Garfield, a man who is president of a college, to look after the coal administration.

Senator JOHNSON. Mr. Burke, you have several times stated that prices have been controlled for the benefit of the consumer. Are you in a position to show that the consumer has received any benefit from these reductions that you are speaking of?

Mr. BURKE. I have the wholesale market quotations. As a matter of fact, I think he has probably received a small amount of benefit, but not nearly as much as he should have received in proportion to what has been taken off the price paid to the producers of food.

Senator GRONNA. I did not think you wanted to let your testimony stand as broadly as you made it, that the consumer has received the benefit. I think every citizen in this land knows that is not true; that the consumer has not received any benefit, because you go to any place in this city or any other city in the United States and every woman knows she is paying more for meat or any kind of provisions than she has ever paid before. You are paying 45 to 50 cents for a ordinary roast right now.

Mr. BURKE. I think that is very largely due to the enormous cost of distribution.

Senator GRONNA. Then, why do you say it has been for the benefit of the consumer?

Mr. BURKE. Because, I believe to some extent the consumer has been benefited; I do not believe he has had nearly the benefit he should have.

Senator GRONNA. I think you would have a mighty hard time to prove the consumer has been benefited in the least.

Senator KENYON. Do you think prices might have been higher?

Mr. BURKE. Yes; I think if prices had been considerably higher on live stock, that the consumer would have paid slightly more. I think that is the way that would work out.

Senator GRONNA. Here are the wholesale prices on March 12, 1918. This is issued by Mr. Charles J. Brand, Chief of the Bureau of Markets: Steers, choice, Boston, 17½ to 17½; good 17½, medium 17½. The prices vary a little in the different markets—New York, Philadelphia, and Washington—but not very much. How does that compare with the prices the consumer actually pays? Have you gone over that?

Mr. BURKE. No; I have not gone into details. I know that such choice cattle were selling last fall around 21 to 22 cents. I feel satisfied that the consumer has got part of the benefit of that big decline. I believe he has. But the great trouble is that between the time the packer buys the cattle and the consumer gets it there is the tremendous cost, the overhead charges in distribution. I understand there has been a statement made by the Food Administration recently that 63 per cent of the margin between what the producer gets and what the consumer pays is absorbed by the retailer; and that 37 per cent is absorbed by the packers.

Senator GRONNA. You mean absorbed between the wholesaler and the consumer that might not be by the retailer.

Mr. BURKE. I said between the price that the producer gets and what the consumer pays.

Senator GRONNA. You mean then that the retailer makes 63 per cent?

Mr. BURKE. No; I mean that that must cover, of course, all of his charges. I do not know what proportion of that is profit.

Senator GRONNA. Covers transportation and all that?

Mr. BURKE. The transportation charges to the retailer is included in the packers' 37 per cent.

Senator GRONNA. You are a member of this advisory committee. What I want to ask you is this: Have you ever investigated this matter, and do you know as a matter of fact that these low prices—and I consider them low prices—of $17\frac{1}{4}$ to $17\frac{1}{2}$ cents wholesale, are the actual prices to the retailer? Would you state that as a fact?

Mr. BURKE. Of my own personal knowledge, I could not say that it is, but I have no reason to doubt the accuracy of the Department of Agriculture's figures in regard to that.

Senator GRONNA. Then it is merely a matter of guess, is it not—these figures we are receiving? How are we to know?

Mr. BURKE. I do not think it is a matter of guess. In fact, it is not an estimate. Those figures are turned in from actual sales by the representatives of the Department of Agriculture; I should say it is not an estimate or guess.

Senator GRONNA. An estimate is nothing but a guess, of course. That is all it is, all it amounts to.

Mr. BURKE. I think it is more than a guess.

Senator GRONNA. It seems to me that it would really be the duty of your advisory committee—it certainly would be the duty of Mr. Cotton, having charge of this matter, as he has it, to know and to furnish to this committee the exact conditions as they exist.

Mr. BURKE. I understand the Food Administration takes the position that it is up to somebody else to look into the retail distribution. For instance, that the producers themselves ought to have organizations who would see that municipal markets are established and that the price goes to the consumer on a reasonable basis. But if you know anything about the producers you know that the producers have not any efficient organization by which anything of that kind could be put into effect.

Senator GRONNA. It is not necessary to know very much about producers, because the producers have nothing to say about the prices. It is very easy to find out what the producer gets, and it would seem that the statement made by Senator Norris a moment ago, that it has been shown that the packers have really been favored; and your statement certainly indicates that that is true. Of course, you do not say it is true.

Mr. BURKE. I merely state that the packers have been allowed to make certain profits and you can judge as well as I can whether you consider they are liberal.

Senator GRONNA. Would you state that the producers have been allowed to make certain reasonable profits?

Mr. BURKE. Oh, no.

Senator GRONNA. Then, have they not been favored as against the producers?

Mr. BURKE. You are just as competent to pass on that as I am; I am trying to give you the facts and let you draw your own conclusions.

Senator GRONNA. What is the use of arguing around the circle? Unless you are willing to state facts, if you believe they are facts—

Mr. BURKE (interposing). I am trying to give you the facts just as nearly as I can.

Senator GRONNA. Since we have got into this controversy, I want to know whether you believe that the producers of cattle have been permitted to make a profit. You can answer that question?

Mr. BURKE. I will answer it in his way, that they have not made a profit and that they have made a big loss.

Senator GRONNA. Have the packers been allowed to make a profit?

Mr. BURKE. They have been allowed to make a big profit.

Senator GRONNA. That is all I want to know.

Mr. BURKE. Something far more definite than mere suggestions from Washington is necessary. Producers should be informed promptly not only what the essentials are, but to what extent, if any, prices will be controlled, either directly by price fixing or indirectly by curtailing the demand for their products. If controlled, will protection be afforded? The policy of the Government, in controlling prices in the interest of the consumer without due regard for cost of production, has already destroyed the meat producers' confidence in the business and unless the situation is promptly corrected it is sure to lead to disastrous consequences. The ordinary consumer hails price control with delight, as he thinks it gives him a chance to buy at lower prices. It gives a false idea of abundance, but eventually, if not wisely used, it will result in famine. It is more important than ever before that production and distribution should be considered as one problem. Last year a serious mistake was made by drawing a hard and fast line between the two, with the Department of Agriculture on the production side and the Food Administration on the distribution side. It has resulted disastrously for meat producers. Confidence is the greatest stimulant to production; there is nothing like uncertainty to destroy confidence. Is it too much to hope that these two great departments of the Government will work out together a program, fair to all interests, which will set the wheels in motion on our 6,000,000 farms?

Senator GRONNA. I agree with your remarks that it has resulted disastrously to the producer. You would not agree that it has resulted disastrously to the packer, would you, Mr. Burke?

Mr. BURKE. No. My whole argument there is that the producer has been very much injured by the policy of the Government, and that he must have his confidence restored if he is to continue as a producer. If normal supplies of meats are not needed in this country, the proper thing to do is for the Government to say so. If they want to feed grain to sustain human life in larger proportions than it has been fed, that is something they ought to let us know. It is a very vital thing. The men in charge of this situation, and they only, are competent to work out the large questions of policy like that, and the sooner the ordinary cowman and farmer knows what their position is, the better it will be for the country.

Senator KENYON. You said something a moment ago about the agricultural situation, and that we should have an agricultural

policy. Suppose you were Food Administrator, what would you do? Just imagine yourself to be Food Administrator; what would you do to straighten this out?

Mr. BURKE. The first thing I would do would be to take off the restrictions on consumption.

Senator KENYON. You would abolish meatless days?

Mr. BURKE. I would abolish meatless days, and not only that, I would go further. I would announce that there is a great damming back of supplies, both on the hoof and on the hooks, and that it is the duty of the people in this country so far as they consistently can to eat meat instead of discriminating against it.

Senator THOMPSON. Has there been a saving in meat by having meatless days?

Mr. BURKE. There was a saving in meat resulting in the damming back of the supplies and the destruction of the profitable market to the producer.

Senator THOMPSON. There was a saving of meat, but not of necessity?

Mr. BURKE. A saving of meat? What is the use of saving meat when there is an abundant supply to meet the demand of both domestic and export needs? If you conserve meat to a point where it results in glut and congestion it means losses to the producer, and that means eventually a decrease in production. If you try to save meat beyond a certain point, those very unfortunate things will follow.

The CHAIRMAN. They found in England, Mr. Burke, that the meatless days increased the consumption of bread, which it was more important to conserve than meat.

Senator KENYON. Is that all you would do to straighten out the situation?

Mr. BURKE. I said that was the first thing I would do.

The CHAIRMAN. What was the effect of meatless days on demand and prices? That gets it connected up, and I think that is important, if you have made any study or any estimate of that.

Mr. BURKE. The effect of meatless days on the demand and prices?

The CHAIRMAN. How much has that cut down the demand and what would be the effect?

Mr. BURKE. I think the meatless days has this effect: In the first place, I believe it does not increase exports. I have figures here to show that instead of increasing exports our total exports of meat during 1917 have decreased.

The CHAIRMAN. Could you put the figures in the record?

Mr. BURKE. I was going to fix that. I can give actual figures. I have them right here, if you are interested in knowing the exports as compared with last year.

The CHAIRMAN. I think it would be interesting to just state the aggregate.

Mr. BURKE. I was going to go along in a more orderly program as I had mapped it out.

Senator NORRIS. Let me suggest that we allow Mr. Burke to go on with his statement as he has mapped it out, and then later interrogate him.

Mr. BURKE. I wanted to go back to last fall and just refer to a statement Mr. Hoover made in regard to the live-stock situation. That was a statement made in Bulletin No. 10, issued, I think, in September. He had reviewed the grain situation, particularly with reference to wheat, in this bulletin, and then he comes to the live-stock situation and he says:

I may say at once that I regard it with even more concern than the bread position.

That shows the importance with which Mr. Hoover regarded the meat situation.

He says [reading]:

In the matter of beef, it appears to me that the allies can, by sufficient encroachment into the herd, support themselves without any consequential expansion of imports from the United States during the period that the slaughter is carried on, but there are limits to even this.

And then just below he says [reading]:

It is useless to slaughter beef in such an emergency under, say 2 years of age, and the encroachment into the cattle herds of one ally is limited practically to the killing of mostly male animals above 2 years of age and of the useless milk animals. If the war continues long enough this point of slaughter will be reached amongst others, and the time will come when we will be called upon to find large quantities of beef before the war is over, although for the next few months the demand for beef may not be so heavy upon us.

Apparently he recognized, gentlemen, at that time that the demand for meat products for export was not to be unusually large on us for months to come. Now, in view of that statement, apparently understanding the situation in regard to our beef requirements for export, the Department of Agriculture, backed up by the Food Administration, starts in on this tremendous campaign for indiscriminate meat production. If it was not going to be needed for export, it is certain that it must be needed for domestic consumption, and if it is needed for domestic consumption in these abnormal quantities what reason can there possibly be for trying to restrict that consumption?

Senator GRONNA. Mr. Burke, may I ask you a question? It may not interest the other members of the committee, but I am very much interested in it. I know you are a stockman and that you know that business. I have information that leads me to believe that.

Is there any other way to rapidly produce meat than to take cattle that, we will say, are almost full grown and put them on what we call expensive feeding—that is what we call them in my country—we make them just as fat as we can. Of course, that will make the price of that beef high, as an expert said here a day or two ago, that the feeding of the last 30 days cost more than the feeding of the first 30 days.

Mr. BURKE. The last gain is the most expensive.

Senator GRONNA. But is it not true that the only way to conserve food or to produce it is to increase as much as we possibly can the weight of the animal; in other words, to feed it as long as it will increase in weight; and while we realize that that is making the meat more expensive, would it not be better to do that, and then not restrict the price, but let the rich people buy that expensive meat and the poor people buy the cheaper meat; and has not that been done away with under these regulations?

Mr. BURKE. The whole influence of the Food Administration has been against the feeding of cattle to what we call a "finish."

Senator GRONNA. A highly finished animal.

Mr. BURKE. Their contention is that it is a mistake to do that because the demand for the higher-priced cuts of beef, such as you are talking about, has been greatly restricted. The richer classes and the middle classes who buy the best cuts of beef have reduced their consumption and their demand, so that there is relatively less demand for that kind of meat, the bulk of the demand being for the cheaper and medium cuts. Does that answer your question?

Senator GRONNA. Is it or is it not food conservation—

Mr. BURKE (interposing). Of course, you can produce more meat by feeding all these cattle to a finish, if that is considered desirable, but the Food Administration has taken the position that that is highly undesirable; and I am inclined to think their position is correct.

Senator GRONNA. You think it is correct, Mr. Burke?

Mr. BURKE. I think it is correct. I think it is not in the interest of general food conservation to feed cattle large quantities of these high-priced primary products.

Senator GRONNA. I do not want to use the words "food conservation." I simply wanted to know if you thought that is meat conservation.

Mr. BURKE. You mean whether it would produce larger quantities of beef? I should say, yes.

Senator GRONNA. That is what I meant.

Mr. BURKE. But it is not desirable to produce, according to the Government, large quantities of that class of beef.

Senator GRONNA. It would make it too expensive?

Mr. BURKE. Yes; I merely wanted, in line with the statement of Mr. Hoover in September, to call attention to the fact that up to the 1st day of December, 1917—I am speaking now of the amount of feeder stock that went out from the livestock markets of the country, showing there was an increase and its influence on the future supplies of beef, pork, and mutton, which everybody could get; for the first 11 months ending December 1, 1917, there were 782,000 more feeder cattle, 393,000 more feeder hogs, and 830,000 more feeder sheep went out to the feed lots than on previous years. That was a well known fact. So that the Food Administration had advance notice that there were apparently plenty of animals going out on feed.

In spite of that fact, they started in on their restrictions, and I want to illustrate what I mean when I said that the meatless day was the symbol by which the people of the country intended to win the war, and that in carrying out the program they have gone very much farther in restricting consumption than it was originally supposed they would. In other words, instead of restricting the eating of meats on the 9 or 12 meals out of the 21, the restrictions went very much farther. The Food Administration sent out three speakers of national reputation into the West about two or three weeks ago. They toured Iowa and Nebraska, and they went on westward through the country, and their propaganda was such that the people got the impression that an indiscriminate suspension of eating meat, and especially all classes of pork, was what was desired. These speakers

were Mr. Colby, of New Jersey, and Raymond Wilbur, of Stanford University, and a lady named Mrs. Isabel Beecher.

Senator KENYON. Are they on salaries or devoting their time without pay?

Mr. BURKE. They are devoting their time, as I understand it. This is from an Omaha paper:

As a result of the tremendous appeal made in Omaha Monday by Senator Everett Colby, New Jersey, Dr. Raymond Wilbur, and Mrs. Isabell Beecher, speakers for the National Food Administration, that consumers forego the use of pork, a movement is on foot to eliminate this article from Omaha tables.

Then below:

The "Block Vigilantes," a group of 5,000 Omaha women, will canvass every block in the city of Omaha, asking for a definite pledge that housewives forego the use of pork and white flour during the duration of the war.

And then another:

Dick Kitchen, president of the Omaha Hotel Men's Association, is putting out 1,500 letters to Nebraska eating-house proprietors in Nebraska, asking them to eliminate pork and use one-third wheat substitute in their liberty bread, instead of a 20 per cent substitute, as designated by the Food Administration.

Senator GRONNA. Do they suggest a substitute?

Mr. BURKE. No; just do not eat pork.

Mrs. O. C. Redick, Mrs. David Baum, Miss Marthy Sharp, Mrs. W. A. C. Johnson, and Mrs. Arthur Mullen, Red Cross workers at the Baird Building, this morning pledged themselves to give up entirely the use of pork during the war and to do missionary work to get others to do the same.

It quotes Colby's remarks:

* * * And I pray I may never see another child starve, but unless you people out here who have plenty of everything are willing to forego wheat and pork, the two great essentials, along with sugar, the dead babies of Belgium and the dead adults in the country back of the lines as well as the soldier fighting in the trenches, our own included, will be on your heads.

That is, gentlemen, pretty dangerous stuff for men of national reputation to say.

The CHAIRMAN. You mean men of national reputation in the States they come from? [Laughter.]

Mr. BURKE. No; I assume that the President of Stanford University—

The CHAIRMAN (interposing). I was referring to Mr. Colby and the lady.

Senator NORRIS. Well, they were sent out by the Government?

Mr. BURKE. I feel very certain that the Food Administration had not the least notion that these people were going to get off that line of talk.

The CHAIRMAN. And the audience did not know but what it was some inspired person speaking with authority?

Mr. BURKE. Very true, and hence the damage. Immediately after these people left town there were all kinds of little movements started to eliminate pork. It has gotten so that the ordinary housewife believes that she is performing a patriotic act when she eliminates meat from her table, not only on the meatless days and meatless meals prescribed, but at all other times. That was not the intention of the Food Administration. That merely illustrates the extent to which this thing is carried away beyond what was intended. It shows how very dangerous the meatless day propaganda really is.

Senator NORRIS. Why did they not stop it, then? They are doing that same thing yet, Mr. Burke—these same speakers, or others like them.

Mr. BURKE. They are. I want to say that coming east on the train I was confronted with the same old dope in regard to saving meat. This New York Central Railroad bill of fare says we "must save beef and red meats, pork and all its products (including lard), wheat, flour, and sugar."

The CHAIRMAN. Will you not just insert that in the record?

Mr. BURKE. I will with pleasure.

(The pamphlet referred to is here printed in full, as follows:)

THE NEW YORK CENTRAL LINES

IS A MEMBER OF THE

UNITED STATES FOOD ADMINISTRATION.

Hotels, restaurants, clubs, dining cars, steamships, must save beef and red meats (not including game), pork and all its products (including lard), and wheat, flour, sugar, by meatless days and meals, wheatless days and meals, porkless days and meals, and conserving sugar by every means possible, and promoting the sale and use of poultry, ducks, squabs, turkeys, guinea chickens, geese, and game birds in season, venison, bear, rabbit, and like game in season, sea foods, oysters, clams, lobsters, shrimp, crab meat, salt-water and fresh-water fish, etc., and egg dishes, cheese dishes, and dairy products.

THE REASON.

The food situation in Europe is far graver than when the preliminary survey of the food supply of the world for this year was made. We have an abundance for ourselves, and it is the firm policy of the Food Administration, by the prevention of exports, to retain for our people an ample supply of every essential foodstuff. The harvests of our allies have proved less than we had contemplated, and the great curtailment of shipping by the submarines during the last few months has further prevented them from access to more remote markets. Beyond the demands of the allies there is a call upon us by the friendly neutrals for food supplies, and if we can not at least in part respond to these neutral calls, starvation on an unparalleled scale must ensue.

Food has now taken a dominant position in the war, and we must ask the American people to sacrifice far more than was at first thought necessary. We have exported the whole of the surplus of the wheat from this harvest after reserving to ourselves an amount sufficient for our normal consumption of seed and flour until the next harvest, and therefore the amount of wheat flour that the United States can contribute to mix with the war bread of our allies during this winter will be simply the amount that our people reduce their consumption month by month. In other words, every grain of wheat or its products that the allies receive from the United States from now on will be exactly the amount which our people have saved each month on their behalf.

The allies to-day ask for 25 per cent more meat and fats (pork, dairy products, and vegetable oils) than we consider our monthly production permits us to send them without trenching on our own supplies, or, on the other hand, unless we can consume less. Due to the shortage in shipping, our available sugar supplies must be less than normal from the present time forward.

Thus every particle of diminished consumption by the American people is one particle more for the soldiers, men, women, and children of our allies and for the starving people in other countries. This is a personal obligation upon every one of us toward some individual abroad who will suffer privation to the extent of our own individual negligence.

If we are to reduce the consumption of the few products which we should export abroad, we will need to eat a larger proportion of many different foodstuffs which we can not export and which we have at home. For this reason we must not waste any foodstuffs. A great many individuals in our population eat far more food than is necessary to maintain their health and strength. In this emergency only the simplest of living is patriotic. We want no person in the United States to eat less than is required for good health and full strength, for in this emergency America requires every atom of the productive power of our people. While many can eat less, all of

our population can substitute other foodstuffs for the few that are vitally needed for export.

We must not overlook the fact that Russia collapsed not because of the Germans on her borders, but largely because of the failure to organize and feed her own citizens, and, if we are to emerge victorious from this war, we can not risk the collapse of another of our allies from this same cause. There is no waste of food among any of our allies—there is the most drastic reduction in their consumption; there is actual privation among their women and children; there is starvation in Belgium.

We have already issued a series of suggestions in the Home Card—a card that is now hanging in over ten millions of homes. These suggestions have already shown important results, and to these we now add others. The problem of saving in food is a local and individual one, so that more precise and definite rules just to all can not be formulated. It is a matter for the conscientious consideration of every individual that he or she should eat only that which is necessary to maintain bodily health and strength and unselfishly to select those foodstuffs the use of which relieves international necessities. In this winter of 1918 lies the period when there will be tested in this great free country of ours the question as to whether or not our people are capable of voluntary individual self-sacrifice to save the world.

HERBERT HOOVER,
United States Food Administrator.

The Food Administration asks everyone in the hotels, restaurants, clubs, dining cars, and steamships of the country to maintain rigidly the following rules to supplement all previous ones. This is the absolute minimum of what must be accomplished. In some States or wherever local conditions make it possible more drastic regulations may be adopted.

Wheat.—Two wheatless days each week—one wheatless meal each day. Monday and Wednesday to be the wheatless days. Breakfast or supper to be the wheatless meal. Wheatless means no wheat products—substitute other grains and cereals. Give the guest whatever bread and butter local conditions warrant—but make the guest ask for it.

Meat.—One meatless day each week—one meatless meal each day. Tuesday to be the meatless day. Breakfast or supper to be the meatless meal. Meatless means no red meat—i. e., beef, pork, pork products, mutton, veal, lamb. Use in their place fish and sea foods of all kinds, poultry, game, and meat substitutes procurable in the local markets.

Pork.—Two porkless days each week—Tuesdays and Saturdays. Porkless means no fresh or salt pork, bacon, ham, or lard.

Fats.—Eliminate as many fried dishes as possible from your menus. Instead of lard, use vegetable oils for frying, such as olive oil, corn oil, cottonseed oil, margarine, and vegetable oil compounds.

Trim all coarse fats from meats before cooking them and sell them to the soap maker; even if you sell this extra amount of fat you have saved it.

Sugar.—Do not serve candies or mints after the meal. Use honey and maple sirup as a substitute whenever possible. Eliminate icing on cakes and serve the open-topped tart with a filler of all classes of fruits, preserves, jams, jellies, marmalades, etc. Granulated is considered more economical for table use than lump sugar.

Suppers.—In hotels and restaurants of the better class serving supper, kindly be patriotic enough to eliminate meat, pork and pork products from their supper menus and substitute sea foods, crab meat, poultry of all kinds, game in season and cheese dishes, eggs and dairy products.

Banquets.—Hotels and restaurants serving banquets will eliminate beef, pork and pork products and substitute sea foods, poultry, game, and other substitutes made possible by local conditions. The above also applies to large luncheons or any large gathering at which food is served.

General.—Use local and seasonable supplies. Do not require abnormal use of the railways to transport products from far afield, now that we need all cars possible for war purposes.

All waste food should be saved to feed animals or for reduction to obtain the fats. No food should be burned. The encouragement of hors d'oeuvre of vegetable salads, fish, and sea food at the start of the meal, and of cheese, fruit, and coffee at its end, will save greatly in all staples and permit the effective use of many available foods. Reduce the number of courses served which contain the staples that must be saved for export. This means beef, pork products, and wheat.

Table d'hôte service, unless very carefully supervised, results in waste in eating and preparation, and should be discouraged in larger hotels and restaurants wherever conditions will permit. In circumstances requiring table d'hôte meals, articles of food not required for export to our allies should be served. The American plan hotel

or restaurant should require its guests to choose specifically in writing, from the items offered as in the European plan so as to avoid waste.

The cafeteria system is recommended for employees wherever possible, as it facilitates service and eliminates waste.

NOTE.—Under various circumstances and with varying conditions, advisable modifications of our plan and other opportunities for food saving will suggest themselves to you.

The essential is: A sincere and patriotic will to save—and thus serve the country.

UNITED STATES FOOD ADMINISTRATION.

Senator NORRIS. Why, of course, all that is going on now, and the ordinary housewife thinks she is a traitor if she does not follow that

Mr. BURKE. We still find the meatless literature in the restaurants and the dining cars on the railroad trains.

The CHAIRMAN. Did they eliminate these meatless days before this fulmination of Mr. Colby's?

Mr. BURKE. No; they had partially eliminated it, but about one week after these speakers were in Omaha—they were there either Monday or Tuesday—the Food Administration came out with the announcement that the ban would be taken off except on Tuesdays.

The CHAIRMAN. I would like to say that I saw a man yesterday, a member of a State board of agriculture, who was going out at the instance of the Food Administration, whose duty it was to be to urge farmers to produce. He did not know what he was going to say, and he wanted to tell the truth.

Mr. BURKE. But just at the time these people were preaching this propaganda and people were so excited about it, the Food Administration was really considering taking the thing off.

Senator JOHNSON. They would have to do that, Mr. Burke, or there would be a head-on collision, if they are urging production and these other fellows are urging the other way.

Senator GRONNA. I agree with you that it has had great effect on the public. I could show you thousands of letters from people of my own State, many of them asking if it was considered unpatriotic to use meat at all. In every case I have referred them to Mr. Hoover, saying I was not in position to answer the question.

Mr. BURKE. Let us see what effect all this has had, gentlemen. Here is the statement of Mr. Howe, the manager for Armour & Co., which came out a few days after these people had been giving their propaganda [reading]:

Hams, bacon, and other pork products are piling up in the packing houses and there has been a big slump in local consumption of all kinds of hog meat, due to the "porkless" campaign which the Food Administration has been waging.

Mr. Howe is the representative of Armour & Co. in Omaha and, to a certain extent, in the West.

The "porkless" campaign is having a decided effect.

Senator KENYON. Those speakers seem to have been very effective speakers?

Mr. BURKE. They were.

Senator GRONNA. Have you anything in reference to the subject of bread?

Mr. BURKE. Then Armour & Co. say again:

The condition of the fresh pork market in the East and elsewhere is very bad. We have to go to the cellar with practically all our pork. The Government allows only a certain per cent profit and we must sell on a cost basis.

Senator KENYON. Could people get along just as well without the pork, do you think?

Mr. BURKE. I do not think so; no. I think the laboring man needs pork and needs it very badly.

Senator GRONNA. Pork seems to be the only thing you are interested in. Some of us are interested in wheat.

The CHAIRMAN. Mr. Burke, is a live-stock man and was invited to come and discuss the meat situation. Mr. Owen, of Minneapolis, will be here soon and discuss the grain problems.

Mr. BURKE. This dispatch from Detroit appeared in the Chicago Herald March 3:

Consumption of meats in Detroit has decreased 50 per cent since the inauguration of meatless days. Take it with us, we have a large foreign, hard-working, meat-eating population, who are large consumers of meats under normal conditions.

If it has that effect on the laborers, goodness only knows what effect it will have on the people who do not work for a living.

Here is an advertisement of Armour & Co. which was published in the Chicago papers within the last two weeks:

If, for any reason, producers' outlets to market were suddenly closed, live-stock raisers would have no incentive to increase their output. Even if the stoppage existed for but a few months, it would cause a decrease in cattle breeding. For, why should the farmer raise that which he can not sell? Of course, consumers would not feel this immediately. It takes three years to mature a beef animal for market. But three years hence, the supply would be short and prices would jump sharply.

One of the most important services, therefore, which a concern like Armour & Co. can render to consumers is to keep the producers' market constantly open, thereby encouraging increased production.

For, if Armour bought from producers only when there was a heavy demand from meat users, or, if Armour sold to consumers only when cattle growers had raised a surplus supply, there could be no stability to meat prices at any time. With the public it would be always "a feast or a famine."

All this is but preface to stating a remarkable condition which exists to-day.

Meatless days were expected to save one-seventh of our national meat consumption for our allies abroad. Instead, the demand for meat in some parts of the country has fallen off as much as half.

The CHAIRMAN. What authority is that?

Mr. BURKE. This is Armour & Co.'s statement in the Chicago papers:

So great is the reaction that were it left to itself, production would probably be decreased for years to come. Farmers would merely drop cattle raising to a large extent—at least, until the demand reasserted itself.

I understand that Armour & Co. made a statement in which they said their demand for meat had been decreased about 25 per cent. I would not vouch for that statement.

Senator KENYON. Only about 5 per cent goes abroad?

Mr. BURKE. About 5 per cent of our beef products goes abroad. Here is what the Food Administration says about the situation at the present time:

The demand on tonnage for immediate present will be on cereals to the exclusion of meat products other than in sufficient amount to meet necessary allied requirements without attempting to build up a surplus over there as would be very desirable with ample tonnage.

That is March 4. Simply showing that they are in no position at this time to take this tremendous surplus of supplies off the hands of producers by an export outlet. We must get away with this product, 95 per cent of it at least, through the domestic demand; and that seems to have been overlooked by the Food Administration.

In regard to the meatless day, it does not increase the exports. It dams back the supply in this country and makes congestion eventually, and immediately lowers prices. Of course, all the meat that is raised in the country will have to be consumed, but it means a forced consumption.

Senator KENYON. Low prices to the consumer, Mr. Burke?

Mr. BURKE. You can not force the consumption of our domestic supply into 12 meals at the same kind of a price that you could if people were allowed to spread it out over the 21 meals. It is just like driving it through the narrow neck of a bottle.

Senator KENYON. Does it lower the prices to the consumer?

Mr. BURKE. Does it what to the consumer?

Senator KENYON. You just made the statement that it does lower the prices. I want to know whether it lowers the prices to the consumer?

Mr. BURKE. I think we discussed that a while ago, and my opinion was that the consumer got part of the benefit, but that the probabilities are that the bulk of the benefit was absorbed by the packers and the retailers. I think it is divided between the three, in just what proportion I am not prepared to say.

Senator NORRIS. If at a good place, I would like to ask you the question that the committee refused to permit me to ask a while ago.

You were on this advisory committee with Mr. Cotton. Did you meet at any time with him except when he asked you to?

Mr. BURKE. Yes—not as a full committee, but as chairman of the committee I have gone to see Mr. Cotton occasionally when I deemed it necessary and have written him very often in regard to the situation.

Senator NORRIS. How often has the advisory committee met?

Mr. BURKE. Three times.

Senator NORRIS. Has the advisory committee agreed with Mr. Cotton upon what was being done?

Mr. BURKE. Not in regard to a good many things. In regard to this matter of restricting consumption, absolutely not. As early as last December we pointed out to Mr. Cotton the fatality of the policy they were pursuing, and have urged him ever since to rectify it.

Senator NORRIS. Did the advisory committee have anything to do with the regulation of the packers, the profit they were to make?

Mr. BURKE. Not a thing.

Senator NORRIS. The advisory committee, of which you are a member, pertained only to the producing end of it; you were not consulted about how much profit they should allow the packer to make?

Mr. BURKE. No, we were not consulted in regard to that. We were allowed to look over the terms of the license, but as far as having any real influence in connection with the terms of it, we were not consulted.

Senator NORRIS. Did the advisory committee have anything to say about any action he had taken tending to increase the price that the producer should get, was there anything done about that?

Mr. BURKE. No, sir.

Senator NORRIS. The producers, for instance, not getting enough to pay his actual expenses, the cattle feeder and the sheep feeder, did the advisory committee have that up with Mr. Cotton.

Mr. BURKE. O, yes; we had that up with him repeatedly, urging him to do everything in his power to have regard for the cost of production and to use every possible means in his power to insure that so far as he was able.

Senator NORRIS. The work of the advisory committee of the Food Administration, of which you are a member, as I understand, pertains only to the producing end. You had nothing to do with the packers' end of it or the consumers' end of it?

Mr. BURKE. Nothing to do with the consumers' end of it. We had a great deal to do with the marketing end, in regard to price. We were not confined strictly to production—to helping increase production, which was what they wanted; in fact, we were asked in regard to market conditions and in regard somewhat to prices.

Senator NORRIS. Prices that the packer should sell at, you mean?

Mr. BURKE. No; not prices that the packer should sell at.

Senator NORRIS. But that he should pay?

Mr. BURKE. But prices that would be fair to pay, particularly with regard to hogs.

Senator NORRIS. Was your advice followed in that respect?

Mr. BURKE. In regard to hogs? Why, the principle was adopted in regard to the ratio on hogs, and then a minimum was placed on this winter's kill of hogs, which was in line with the recommendation made by another committee. But, in a general way, the principle was recommended which was to relate prices to cost of production, which was adopted on hogs, and they made an effort to put that into effect. You are familiar, no doubt, with the arrangement on hogs.

Mr. WALLACE. I suggest that the arrangement does not begin to go into effect until fall?

Mr. BURKE. The principle was adopted. The ratio does not begin to go into effect until this fall, but the minimum price of \$15.50 per hundredweight for hogs went into effect last winter.

Senator NORRIS. This committee, as I understand it, did not believe the hog price or any other price to the producer was sufficient, did it?

Mr. BURKE. No; this committee did not.

Senator NORRIS. Did you want a higher price?

Mr. BURKE. As a member of the cattle advisory committee and not as a member of the hog advisory committee. We did think the ratio should be higher for the next crop of hogs, and we did think the minimum of 15½ cents per pound was too low. The minimum was suggested as either 16—

Mr. WALLACE. The producing committee suggested the price should not be allowed to drop below 16 cents.

Mr. BURKE. But our cattle advisory committee had nothing to do officially with the hog matter. We were just simply consulted because we happened to be there in session with Mr. Cotton in regards to cattle matters, and he consulted us in regards to this other matter.

Senator NORRIS. In your consultation and work with Mr. Cotton did you find that Mr. Cotton had any outline or steady plan for the control of these matters under his jurisdiction? Did he have a plan promulgated that was carried out, or did he have any plan as to how the entire thing should be met?

Mr. BURKE. I should say rather the contrary. I think they figured on treating symptoms as they came.

Senator KENYON. Where did you write Mr. Cotton when you wrote him?

Mr. BURKE. He was in Chicago part of the time. All the early part of the year he stayed in Chicago with the Food Administration there, and latterly he has been called here to Washington, and is here most of the time. I think he makes an occasional trip to Chicago.

Senator NORRIS. In your conversation with Mr. Cotton did you get the idea that he understood the situation; did he claim to understand it?

Mr. BURKE. In regard to just what situation do you refer, Senator Norris?

Senator NORRIS. The whole situation that he had under his control; the production of meat and sale of live stock.

Mr. BURKE. He did not pretend to understand the problems of production. He did not understand that.

Senator NORRIS. What was he trying to do?

Mr. BURKE. I guess he was trying to get by.

Senator KENYON. He was familiar with New York stock, was he not?

Mr. BURKE. Yes.

Senator NORRIS. That was a different kind of stock.

The CHAIRMAN. They do not have to feed that kind of stock, only water it.

Mr. BURKE. I was going to say we have to feed our stock something besides water, and the New York stock you do not. [Laughter.] I wanted to call the attention of the committee to the exports. I think that is something that is very important. This whole live-stock propaganda of the Food Administration has been based very largely on the tremendous amount of meat supplies that were needed by the allies and the civilian population over there, and it is in the minds of most people in this country that if they conserve meat that whatever they can conserve in this country in unlimited quantities will go right over to feed those peoples.

There never was a more mistaken idea. For the 12 months of 1916 the total exports of beef products was 378,000,000 pounds.

The CHAIRMAN. For the calendar year of 1917?

Mr. BURKE. No; for the calendar year 1916. Of that, the principal item is the fresh meat, 181,000,000 pounds. Gentlemen, I have already called your attention to the fact that there is in cold storage in this country, of frozen beef, which is what they are sending over there, right at 400,000,000 pounds. The figures were out for the 1st of March—375,000,000 pounds, to be exact, which is practically the total amount of beef products exported for an entire year.

Going back to 1917, when the meatless day is presumed to have gotten in its work and conserved supplies to go across, the exports of beef products were 393,000,000 pounds, approximately.

The increase for the 12 months was about 5 per cent, and that export of beef products amounts to about 5 per cent of our total output. So the other 95 per cent has to go to the domestic consumer. If it does not go to him in the 21 meals, you have got to shove it into him during the free meals if you are going to get rid of it.

In regard to pork products, there is a good deal of misapprehension in regard to that, the idea being that pork can be used in unlimited quantities on the other side. The amount of pork products exported

during the year 1916 was 1,483,000,000 pounds, all classes of pork products. And in 1917 it was 1,343,000,000 pounds, a decrease of 10 per cent during the year 1917 over the year before. That amounts to approximately 25 per cent of our total production.

To bring the matter more closely up to date, I want to call your attention to the beef exports for the seven months ending February 1, 1918, which were 213,000,000 pounds against 200,000,000 the corresponding seven months the year before, an increase of only 6 per cent; and on hog products the seven months ending February 1, 1918, was 548,000,000 pounds against 857,000,000 pounds a year ago, a decrease of 36 per cent in our pork products.

The CHAIRMAN. Contemporaneous with your porkless days.

Mr. BURKE. Yes.

Senator NORRIS. Have you got statistics there of the pork as well as the beef that was on hand?

Mr. BURKE. As compared with the previous year?

Senator NORRIS. Yes; of the previous year. You do not give us the amount of pork; you gave us the beef, but not the pork.

Mr. BURKE. Yes; I have the pork. I will give it to you in a minute. I was going to say that for the month of January the exports of pork products this year were 93,000,000 against 206,000,000 a year ago. There is no question but what we could have exported and would have exported very much more of the pork products if we had had the shipping for it. But the shipping was not available, the result being that we got supplies dammed back in this country and forced on the entire domestic consumption, and the Food Administration has been very slow to recognize the fact that most of these immense supplies must be used by the domestic consumer.

Senator NORRIS. May I ask, Mr. Burke, whether there have been any orders of the allied buyers we have not been able to fill? Is it not true we have filled all the buyers' orders for beef?

Mr. BURKE. I imagine we have not been able to fill orders on account of lack of shipping.

Senator NORRIS. I understand there was quite a lack of shipping; but I am told, so far as beef orders were concerned, we were able to fill them. I do not know about the others, but that all the orders from the allied Governments have been supplied.

The CHAIRMAN. Could you give, in this connection, the total production of beef and of pork in the United States annually?

Mr. BURKE. In pounds?

The CHAIRMAN. Yes.

Mr. BURKE. I can do that. I can put that in, if you wish it.

The CHAIRMAN. I wish you would.

Mr. BURKE. I would have to go back to the year 1915 to give you those figures.

The CHAIRMAN. That would be a little too old. I think it is another statement, but I wanted it in this connection to make a calculation. There was something like 2,000,000,000 pounds of meat last year. I do not know the proportions.

Senator KENDRICK. I would like to say that I am informed by the Food Administration that the limited or restricted beef products and pork products the last few months has been occasioned by the shortage of cargo space and other causes, which have been corrected

within the past few weeks, and that the demand for beef products is to be very much heavier from now on.

Mr. BURKE. Yes; I understand that is the case.

The CHAIRMAN. Have there been losses?

Mr. BURKE. During recent months the losses have been heavy.

(Thereupon, at 12.15 o'clock p. m., the committee took a recess until 8 o'clock p. m.)

EVENING SESSION.

The committee assembled at the expiration of the recess.

The CHAIRMAN. You may proceed, Mr. Burke.

STATEMENT OF E. L. BURKE—Resumed.

Mr. BURKE. Mr. Chairman, I want to give you a few figures here that you inquired about this morning, in regard to the total meat production of the country. You asked me if I could give you the figures on that?

The CHAIRMAN. Yes.

Mr. BURKE. I could give you 1915 figures. I have them, and I have followed down through 1916 and 1917, so I can give you them approximately. The total meat products in pounds, for 1915, was 21,257,000,000 pounds, of which pork constituted 11,856,000,000.

Senator KENYON. Beef, sheep, and hogs?

Mr. BURKE. Yes; beef, sheep, and hogs. The total meat exports were 9.2 per cent that year. The exports of pork products for that year was 13.1 per cent of total pork production. The figures were gotten up by Mr. Tomlinson, the secretary of the American Live Stock Association. They were not available for 1916, but they had very close estimates, and they were about 22,000,000,000 pounds, which was just a trifle more than the 1915 figures; and the statement has recently been made—on good authority—that the increased consumption of meats per capita in the United States for 1917 over 1916 is 10 per cent. As the meat exports were approximately the same, that would indicate that the total meat production for 1917 was heavier than even for 1916.

Senator THOMPSON. What was 1916?

Mr. BURKE. Twenty-two billion pounds.

Senator WARREN. And 24,000,000,000 or 25,000,000,000 pounds for 1917.

Mr. BURKE. Does that give you the information you want?

The CHAIRMAN. Yes, sir; that gives it.

Mr. BURKE. And a little over 50 per cent is generally pork.

Senator WARREN. Why that increase of consumption?

Mr. BURKE. I presume the increase in population is responsible, as much as anything, for that.

Senator KENYON. And then higher wages in a great many cases?

Senator WARREN. I thought you were going to say feeding pork to our fighting men.

Mr. BURKE. I would like to elaborate a little further and show you to what this policy of the Government in increasing indiscrimi-

nately meat production with one hand and restricting it with the other leads.

I gave you the figures in regard to beef this morning, that is, that there was practically 275,000,000 pounds of frozen beef on hand at this time in cold storage; that is a very marked increase over a year ago; that is three-fourths of our total beef products exports in pounds for a year.

Senator KENYON. We will need to export more this year, will we not, for the Army?

Mr. BURKE. Yes; we should export more than we did last year I should think, as more shipping becomes available and grain gets scarcer they will have to resort more to meat, in order to feed the civilian population and the armies of the allies. That is the reserve; the meat animals are really the reservoir from which you can draw in case of a shortage in grain, and that is one reason, it seems to me, why the maintenance of our meat supply in this country is so very important, and why it is so very important at this time not to discourage production by disregarding cost of production.

Senator KENYON. Of course, if this is a one-year war we have plenty of meat; if this is a three-year war we may not have.

Mr. BURKE. If we are just playing a short game, we have gotten by all right with our policy—it has worked to perfection. But if it is to be a two or three year war it is fatal, I believe, unless it is changed and changed promptly.

Senator KENYON. It is unjust, anyhow.

Mr. BURKE. It is unjust. I was merely speaking of playing the game.

Senator WARREN. Why did we not raise the embargo on beef and mutton and thereby save more wheat?

Mr. BURKE. That is what some of us have been urging ever since last fall.

Senator WARREN. I have not heard anything from the other side that would seem to give us any reason why it should not be done.

Mr. BURKE. I am coming to some statements from the Food Administration in a few moments which have practically acknowledged that this is the correct view.

Senator KENYON. I think they are very seriously considering that.

Senator WARREN. They have been moving that way as to mutton and to some extent as to beef.

Mr. BURKE. We have spoken in regard to beef. Now, in regard to lamb and mutton, on March 1 there was in cold storage frozen mutton and lamb 7,857,000 pounds. That is an increase of 23.6 per cent as compared with a month ago and 40 per cent as compared with a year ago, showing that not only beef is piling up, but mutton also.

In regard to pork, on March 1, there was 104,000,000 pounds, which is an increase of 40.9 per cent as compared with a year ago. This is fresh pork and does not refer to cured products in cold storage. The mutton cuts little figure except as showing the outlet is bad. I will refer to the market in a moment, showing its condition and the reason that all this product has to go to storage is simply because there is no outlet for it. They have to freeze it in order to keep it.

I would like to refer to the Department of Agriculture's weekly report on meat conditions for the week ending February 22, 1918,

in which they are speaking of the beef supply. It states the supply of beef was liberal throughout the week, and then it goes on to say:

Prices have slowly declined on a very light demand and the market remains very weak and draggy. It is not so much a question of prices now as it is to find a buyer.

The CHAIRMAN. What is that statement from?

Mr. BURKE. That is from the weekly report of the meat conditions by the Office of Markets.

Now, in regard to pork:

Heavy receipts of all pork cuts necessitated a heavy movement to the freezer, while considerable quantities which arrived in a stale condition were sold at a wide range in prices. "Porkless days" and "meatless breakfasts" each day have curtailed the consumption of fresh pork probably more than any other meat, and this is being reflected in a heavy decrease in the volume of business.

This is the Department of Agriculture's own statement in regard to the effect of the meatless and porkless days. In other words, they can not dispose of the product, so it goes into the freezers.

Coming to lamb—this is all for the same week—as to Boston, the report says:

The retailers and consumers seem to be paying less and less attention to lamb. Market throughout the week has been dull and extremely draggy, at times practically demoralized. While the heavy-weight lambs have suffered the most, still the lighter averages have come in for their share the present week and prices show a wide range. Practically all arrivals since Wednesday morning of strictly fresh lambs were delivered direct from the cars to the freezer. Market at close to-day seems to be on a little steadier basis.

Then, in New York, in regard to lambs:

There was a normal supply of lambs this week, but far from a normal demand. Trade was extremely dull on both the western and city dressed lambs. Prices remained steady on fresh handy weights and barely steady on the heavier ones which arrived in first-class condition. Sales were made off-condition stock at ridiculously low prices in order to keep the cooler cleaned up.

That would indicate that the consumer would get some benefit where these sales from an overcrowded market are sacrificed at ridiculously low prices.

The only activity that appeared in the lamb market this week was that of asking prices on stale lambs low enough to tempt a buyer.

Although the ban on mutton and lamb was taken off some weeks ago, the effect on the country of the meatless day is still working on this demand, and in my opinion it will take a long time before you can restore the normal demand on any class of meat.

Senator WARREN. The consumption has been less not so much by the meatless days as by the general impression that meat had to be saved, and the people that are not overfond of it deny themselves of meat on that account. Not only that, but people think they are doing a patriotic thing in cutting it out.

Mr. BURKE. Pardon me, Senator, for calling attention that it is claimed that consumption per capita during the year 1917 was actually increased on meat products in this country 10 per cent, but in a case such as we have now—we went into this in some detail this morning when you were not here—the consumption is practically a forced consumption, just as I am showing here, where it is a question of getting rid of the stuff at any kind of a price. It is forced out probably for the most part into the working classes. I imagine they are the people, when prices get low enough, who buy more meat. The ordinary well-to-do citizen does not pay very much attention

in the amount of meat he buys as to whether there is a break or not in the market.

Senator WARREN. The ultimate consumer does not get that break, or mighty little of it, so far.

Mr. BURKE. All the meat products we have in the country are going to go into consumption, but when they have to be forced into consumption in 12 meals instead of 21 it can only be at sacrifice to the price.

Senator KENYON. You can not force much consumption to the man of small income with meat at present prices.

Mr. BURKE. You can force it if the price is lowered sufficiently.

Senator WARREN. Other commodities are high, too.

Mr. BURKE. So when meat gets to be relatively the cheapest thing he can live on, he is going to buy meat.

Conditions on March 1 are very much the same. I will refer briefly to them. This is in regard to beef:

Freezing has been heavy all week, a considerable number of exceptionally good cattle being sent to the freezer on account of the limited demand.

Armour & Co.'s manager in Omaha told me about 10 days ago that they had been sending cattle to the freezer that cost 12 cents a pound. I imagine, perhaps, just a very limited amount figured in that, but that is very unusual. We know that 12 cents a pound buys mighty well finished corn-fed cattle. We have been selling in Omaha for the last two or three weeks at 11½ to 12½ per hundred-weight cattle weighing 1,200 to 1,300 pounds, well fattened on corn and alfalfa ever since last October. So you can judge what the quality of that beef would be. It is first-class stuff.

The CHAIRMAN. What did he pay for it in October?

Mr. BURKE. Those cattle, on an average, cost about 10 cents a pound.

Senator WARREN. You mean before feeding?

Mr. BURKE. Yes. I said in October, when we bought them as feeders.

Senator WARREN. You were very fortunate in feeding beef and not mutton. Mutton is not now bringing first cost.

Mr. BURKE. No. There is a deplorable condition in the market for lambs. I have not referred to it, but many men are selling lambs for two or three dollars a hundred less than they paid for them as feeders, and the losses on the lambs are running all the way from \$1.50 to as high as \$3 and \$4 a head, so they tell me. And the worst of it is the situation is growing worse all the time, because as these lambs get heavier they sell at a wider and wider discount.

Senator WARREN. Their weight reduces them in grade?

Mr. BURKE. It reduces them in grade and in price.

Senator WARREN. They call them "mutton," then.

Mr. BURKE. The closing market the week of March 1, says, in regard to Boston:

Practically all cars of beef unloaded will be cleaned up. Fully 50 per cent of arrivals for the week were put in freezer. Closing prices to-day show no change from those of yesterday.

Then in regard to New York it says:

Due to less than normal supplies and the fact that a large part of beef received here this week has been sent to freezers the market will clean up in fair shape on all stuff which has been unloaded.

That simply illustrates the condition that the meat trade has gotten into through the piling up of supplies.

So much for the meat.

Senator KENDRICK. Do you know whether or not they are cutting down the supply of beef in storage at this time?

Mr. BURKE. The amount of frozen beef in storage a month ago was 287,000,000 pounds, and on the 1st of March it was 275,000,000. So you see there was a small decrease.

I have just read figures to show that the pork and mutton, on the other hand, were accumulating very rapidly. There was an increase of something like—I gave the percentages—of 23 per cent as compared with a month ago on mutton and of 70 per cent compared with a month ago on frozen pork products.

Compared to a year ago there is an increase of 40 per cent on pork and 40 per cent on mutton; I have not the figures here on beef, but it is, approximately, I think, about 11 per cent.

Not only are the supplies of meat backing up, but the supplies of fat stuff as well—lambs and cattle and fat hogs are also backing up all over the country, and it looks as if there was a glut, congestion and over supply in this fed stuff that would last for several months to come.

Here is what Mr. Hoover says, in his statement of March 3, about that:

The transportation shortage, before the Government took over the railroads, the bad weather in January and early in February, the large percentage of immature corn in the last harvest and the necessity of feeding this corn as rapidly as possible to save it from decay, have not only resulted in backing up the animals—particularly hogs—on the farms for a longer period of feeding, but have resulted in a great increase in their average weight, and will result, with improved transportation conditions, which already appear, in larger than normal arrivals at market for the next two or three months. The weight of hogs coming to the market for the past two weeks indicates an increase in weight of from an average of 203 pounds last year to the almost unprecedented average of 232 pounds, or a net increase in their meat value of over 15 per cent. This is a distinct addition to the Nation's meat supply. It therefore now seems certain that we have such enlarged supplies for at least some months to come that we can not only increase our exports to the Allies to the full extent of their transportation facilities, but at the same time can properly increase our domestic consumption.

I hope this will be promptly done. The Food Administration finally woke up, and at the eleventh hour—it has been asleep for months when this condition was obvious to anybody who was disposed to study it; I showed this morning it has been perfectly evident what was coming since December. It was warned and warned repeatedly by the committee of which I am a member in regard to these conditions, and we plead with them in every way to take off the restrictions and let the domestic demand go at this stuff and clean it up, if we were to avoid this piling up of supplies, and disaster. The only answer we could get out of it was that we did not understand the international situation. They were in a position to know about all these things and that we could not see, as they were in a position to see. Of course, you can not answer that kind of an argument.

Senator KENYON. Did not the Food Administration recognize the fact that there was an economic limit to the weight of hogs, did they not realize that hogs ought to be marketed lighter, and did they not realize that when these heavier hogs were forced on the producer that it was done at a big economic loss?

Mr. BURKE. The idea of the Food Administration in asking for this increased weight on the hogs was, first, that the number of hogs was very much less than a year ago. They started out with the assumption last September, when there appeared to be only 60,000,000 hogs in the country, that there was a big shortage on hogs, and that in order to get the normal pork supplies that hogs would have to be made heavy. Then they figured, too, that the demands for fats was so enormous that they ought to have extra weight on that account. When it came around to the 1st of January, instead of there being 60,000,000 hogs in the country, we turned up with 71,000,000. The Department of Agriculture's figures between the 1st of September and the 1st of January do not reconcile very well.

In connection with receipts, to show how the stuff is coming along, at the seven leading markets so far this year to date on cattle, it is 1,913,000 as against a year ago 1,687,000; and I presume the weights are a little heavier.

The CHAIRMAN. That is when?

Mr. BURKE. That is for the calendar year 1918, since the 1st of January, on cattle.

On hogs the receipts for the year 1918 or to date, at the 11 leading markets, 6,714,000 against 6,839,000, a very slight decrease. But when you take in to consideration the increase in weight of over 15 per cent, you have a very much enlarged pork supply compared with a year ago.

I would like to revert to the statement of the Food Administration in which it intimates "for at least some months to come that we can not only increase our exports to the allies to the full extent of their transportation facilities." That statement does not square with the statement I read this morning, in which the Food Administration said that the possibilities were that we would not be able to enlarge our exports of meat products beyond the current requirements of the allies on account of the more imperative need of shipping grain, using the transportation for that purpose.

I point out that inconsistency, because I think it is important. If the grain is to take precedence and the exports of meat can not be increased beyond just the current meat requirements of the allies, there is not very much chance to relieve the pressure, unless we fly at the domestic consumption.

Senator KENDRICK. Do you happen to know, Mr. Burke, what the relative amount of pork products exported in 1917 were as compared with the 1916 and the variation in beef products—has it increased or decreased?

Mr. BURKE. The beef products and beef exports during 1917 increased about 5 per cent, and the export pork products decreased about 10 per cent. That is in the record. I gave that this morning.

I would like to read a letter from a man in Kansas, W. A. Cochel. Mr. Cochel is a member of Mr. Cotton's Advisory Committee. He is also the head of the animal husbandry at Manhattan, Kans., the State University there, and a very well posted and a very reliable man, and here is what he says in regard to the situation in Kansas.

Senator KENYON. Is he an active advisor?

Mr. BURKE. He is about as active as the rest of us.

Senator THOMPSON. He is out there most of the time?

That simply illustrates the condition that the meat trade has gotten into through the piling up of supplies.

So much for the meat.

Senator KENDRICK. Do you know whether or not they are cutting down the supply of beef in storage at this time?

Mr. BURKE. The amount of frozen beef in storage a month ago was 287,000,000 pounds, and on the 1st of March it was 275,000,000. So you see there was a small decrease.

I have just read figures to show that the pork and mutton, on the other hand, were accumulating very rapidly. There was an increase of something like—I gave the percentages—of 23 per cent as compared with a month ago on mutton and of 70 per cent compared with a month ago on frozen pork products.

Compared to a year ago there is an increase of 40 per cent on pork and 40 per cent on mutton; I have not the figures here on beef, but it is, approximately, I think, about 11 per cent.

Not only are the supplies of meat backing up, but the supplies of fat stuff as well—lambs and cattle and fat hogs are also backing up all over the country, and it looks as if there was a glut, congestion and over supply in this fed stuff that would last for several months to come.

Here is what Mr. Hoover says, in his statement of March 3, about that:

The transportation shortage, before the Government took over the railroads, the bad weather in January and early in February, the large percentage of immature corn in the last harvest and the necessity of feeding this corn as rapidly as possible to save it from decay, have not only resulted in backing up the animals—particularly hogs—on the farms for a longer period of feeding, but have resulted in a great increase in their average weight, and will result, with improved transportation conditions, which already appear, in larger than normal arrivals at market for the next two or three months. The weight of hogs coming to the market for the past two weeks indicates an increase in weight of from an average of 203 pounds last year to the almost unprecedented average of 232 pounds, or a net increase in their meat value of over 15 per cent. This is a distinct addition to the Nation's meat supply. It therefore now seems certain that we have such enlarged supplies for at least some months to come that we can not only increase our exports to the Allies to the full extent of their transportation facilities, but at the same time can properly increase our domestic consumption.

I hope this will be promptly done. The Food Administration finally woke up, and at the eleventh hour—it has been asleep for months when this condition was obvious to anybody who was disposed to study it; I showed this morning it has been perfectly evident what was coming since December. It was warned and warned repeatedly by the committee of which I am a member in regard to these conditions, and we plead with them in every way to take off the restrictions and let the domestic demand go at this stuff and clean it up, if we were to avoid this piling up of supplies, and disaster. The only answer we could get out of it was that we did not understand the international situation. They were in a position to know about all these things and that we could not see, as they were in a position to see. Of course, you can not answer that kind of an argument.

Senator KENYON. Did not the Food Administration recognize the fact that there was an economic limit to the weight of hogs, did they not realize that hogs ought to be marketed lighter, and did they not realize that when these heavier hogs were forced on the producer that it was done at a big economic loss?

The CHAIRMAN. I do not remember the date, but it was early last year when I remember seeing an account of it.

Mr. BURKE. On the question of control, the effect on prices by the Food Administration was brought up this morning. A good many of the Senators were very much interested to know whether the Food Administration did exercise any direct or indirect control over the prices of live stock at the market through the packers. Of course, we all recognize they have exercised a more marked influence over price through their propaganda of restricting the demand.

I will submit a letter dated January 18, 1918, by Mr. Wilhelm, of Cudahy & Co., to Mr. Deising, the representative of the Cudahy Packing Co. at South Side Station, at Omaha, Nebr.:

DEAR SIR: Yesterday we had quite a meeting in Dr. Durand's office.

Mr. Cotton is chief of the meat division and Dr. Durand is his first assistant. Dr. Durand was Census Commissioner, and he is now located in Chicago in charge of the meat division work there.

Senator KENYON. Was he not the man who proposed to furnish statistics to Mr. Brand as to the packers' operations?

Mr. BURKE. Yes; and he is the man who wrote the Garfield report.

The conservation committee meeting was postponed, and this meeting was to discuss further allotments. Those attending were: Messrs. Meeker and White, of Armour & Co.; Messrs. Hyman and Lacey, of Morris & Co.; Mr. Peterson, of Wilson & Co.; Messrs. Edw. P. Swift, Chas. H. Swift, and Carr, of Swift & Co.; Messrs. Shepart and Wilhelm, of the Cudahy Packing Co.

Dr. Durand said that this thing would have to be handled in some way to avoid advancing the cattle market; that that was the thing that absolutely must not come about, and if it did he would take drastic measures to prevent it; for instance, he indicated that if it required 10 per cent, or even a higher percentage of the purchases to take care of this export business, you were going to be correspondingly short in your branches.

Senator KENDRICK. Was the market at that time, when Dr. Durand made this statement, returning to the producer a reasonable profit?

Mr. BURKE. No; at the time this statement was made, January 18, the market on beef steers was considerably below cost of production.

Senator KENDRICK. Then, there was a real need for an "advance?"

Mr. BURKE. If producers were to get back their money an advance was necessary even at that time, and the market has since grown worse still, relative to cost of production. Permit me to finish Mr. Wilhelm's letter.

This would have a tendency to raise the beef market, which we all admitted, and that, in turn, the live-stock market. We all agreed that we would see that we did not pay any more for live stock.

Mr. Durand attended a meeting last Friday in Chicago, of producers. Where a large number of representative men from the corn belt who met at the College Inn at the stock yards a week ago to-day, and Mr. Durand was invited to attend, and we produced this letter and asked him if he was correctly quoted.

He said he was, and he explained it on the ground that it was necessary at that time in order to protect a very large export order from the British.

Senator KENDRICK. May I ask who produced this letter from the files?

Mr. BURKE. This is a letter that Mr. Heney dug up out of the packers' files.

Senator KENDRICK. A confidential letter!

Mr. BURKE. A confidential letter, written from one employee of Cudahy & Co. to Mr. Deising, another employee of the Packing Co. in Omaha, advising him what the arrangement was with Durand in regard to holding down prices.

Senator KENDRICK. Mr. Durand is the representative of the Food Administration?

Mr. BURKE. He has charge of the Chicago business under Mr. Cotton. He said it was necessary to do that in order to protect this large export order from the British. In other words, this large order creating a demand for meat was not to be allowed to have its natural effect on the market. If you increase the demand enormously for a product by a big purchase, under the law of supply and demand, it should have an effect on the market, and this would simply result in setting aside that law and absolutely blocking it, in my opinion.

The CHAIRMAN. Before you pass from Mr. Durand, do you pretend to know anything about his activities in connection with the Borland resolution in the House by the investigation of the packers?

Mr. BURKE. All I know of his activities in regard to the Borland resolution in the House is what has been disclosed at the Federal Trade Commission Hearings; that is a matter of public record. He apparently was quite active at that time.

The CHAIRMAN. He prepared a brief, did he not?

Mr. BURKE. My understanding is that he prepared a statement for the packers, that is, he did not prepare the statement, I think the statement was prepared for him, and he edited it. First, he said he did not want to take anything for it, as I understand, and later accepted \$300 for editing this statement, which may or may not have been more than his work was worth to the packers.

Senator KENYON. Was he on a salary of any kind at the time of the Borland resolution?

Mr. BURKE. My understanding is that he was employed at that time on a salary for the University of Minnesota. He was working at that time for them, but as to his salary, I could not say.

Senator KENYON. Did he receive anything from the packers for his work, do you know?

Mr. BURKE. As far as I know, the only evidence that shows him to have received anything from the packers was this \$300 he got for editing this attempted economic justification of the packers' methods of doing business.

Senator KENYON. Was that Swift's publication?

Mr. BURKE. I do not know whose publication it was. It was my understanding it was of a broader nature than that; it may have been Swift's. Here is what Mr. Cotton says in regard to handling the market:

While the meat division is using the large foreign orders for pork and beef to support the prices of hogs and cattle during the heavy winter run to market, it expects also to use them as a check on any material advance should a shortage come later. It seeks to stabilize prices in the interest of the foreign and domestic consumer as well as of the live-stock producer.

All this talk about stabilizing prices, gentlemen, in my opinion, has in it a good deal of buncombe.

The CHAIRMAN. It is the camouflage business?

The CHAIRMAN. I do not remember the date, but it was early last year when I remember seeing an account of it.

Mr. BURKE. On the question of control, the effect on prices by the Food Administration was brought up this morning. A good many of the Senators were very much interested to know whether the Food Administration did exercise any direct or indirect control over the prices of live stock at the market through the packers. Of course, we all recognize they have exercised a more marked influence over price through their propaganda of restricting the demand.

I will submit a letter dated January 18, 1918, by Mr. Wilhelm, of Cudahy & Co., to Mr. Deising, the representative of the Cudahy Packing Co. at South Side Station, at Omaha, Nebr.:

DEAR SIR: Yesterday we had quite a meeting in Dr. Durand's office.

Mr. Cotton is chief of the meat division and Dr. Durand is his first assistant. Dr. Durand was Census Commissioner, and he is now located in Chicago in charge of the meat division work there.

Senator KENYON. Was he not the man who proposed to furnish statistics to Mr. Brand as to the packers' operations?

Mr. BURKE. Yes; and he is the man who wrote the Garfield report.

The conservation committee meeting was postponed, and this meeting was to discuss further allotments. Those attending were: Messrs. Meeker and White, of Armour & Co.; Messrs. Hyman and Lacey, of Morris & Co.; Mr. Peterson, of Wilson & Co.; Messrs. Edw. P. Swift, Chas. H. Swift, and Carr, of Swift & Co.; Messrs. Shepart and Wilhelm, of the Cudahy Packing Co.

Dr. Durand said that this thing would have to be handled in some way to avoid advancing the cattle market; that that was the thing that absolutely must not come about, and if it did he would take drastic measures to prevent it; for instance, he indicated that if it required 10 per cent, or even a higher percentage of the purchases to take care of this export business, you were going to be correspondingly short in your branches.

Senator KENDRICK. Was the market at that time, when Dr. Durand made this statement, returning to the producer a reasonable profit?

Mr. BURKE. No; at the time this statement was made, January 18, the market on beef steers was considerably below cost of production.

Senator KENDRICK. Then, there was a real need for an "advance?"

Mr. BURKE. If producers were to get back their money an advance was necessary even at that time, and the market has since grown worse still, relative to cost of production. Permit me to finish Mr. Wilhelm's letter.

This would have a tendency to raise the beef market, which we all admitted, and that, in turn, the live-stock market. We all agreed that we would see that we did not pay any more for live stock.

Mr. Durand attended a meeting last Friday in Chicago, of producers. Where a large number of representative men from the corn belt who met at the College Inn at the stock yards a week ago to-day, and Mr. Durand was invited to attend, and we produced this letter and asked him if he was correctly quoted.

He said he was, and he explained it on the ground that it was necessary at that time in order to protect a very large export order from the British.

Senator KENDRICK. May I ask who produced this letter from the files?

Mr. BURKE. This is a letter that Mr. Heney dug up out of the packers' files.

Senator KENDRICK. A confidential letter?

Mr. BURKE. A confidential letter, written from one employee of Cudahy & Co. to Mr. Deising, another employee of the Packing Co. in Omaha, advising him what the arrangement was with Durand in regard to holding down prices.

Senator KENDRICK. Mr. Durand is the representative of the Food Administration?

Mr. BURKE. He has charge of the Chicago business under Mr. Cotton. He said it was necessary to do that in order to protect this large export order from the British. In other words, this large order creating a demand for meat was not to be allowed to have its natural effect on the market. If you increase the demand enormously for a product by a big purchase, under the law of supply and demand, it should have an effect on the market, and this would simply result in setting aside that law and absolutely blocking it, in my opinion.

The CHAIRMAN. Before you pass from Mr. Durand, do you pretend to know anything about his activities in connection with the Borland resolution in the House by the investigation of the packers?

Mr. BURKE. All I know of his activities in regard to the Borland resolution in the House is what has been disclosed at the Federal Trade Commission Hearings; that is a matter of public record. He apparently was quite active at that time.

The CHAIRMAN. He prepared a brief, did he not?

Mr. BURKE. My understanding is that he prepared a statement for the packers, that is, he did not prepare the statement, I think the statement was prepared for him, and he edited it. First, he said he did not want to take anything for it, as I understand, and later accepted \$300 for editing this statement, which may or may not have been more than his work was worth to the packers.

Senator KENYON. Was he on a salary of any kind at the time of the Borland resolution?

Mr. BURKE. My understanding is that he was employed at that time on a salary for the University of Minnesota. He was working at that time for them, but as to his salary, I could not say.

Senator KENYON. Did he receive anything from the packers for his work, do you know?

Mr. BURKE. As far as I know, the only evidence that shows him to have received anything from the packers was this \$300 he got for editing this attempted economic justification of the packers' methods of doing business.

Senator KENYON. Was that Swift's publication?

Mr. BURKE. I do not know whose publication it was. It was my understanding it was of a broader nature than that; it may have been Swift's. Here is what Mr. Cotton says in regard to handling the market:

While the meat division is using the large foreign orders for pork and beef to support the prices of hogs and cattle during the heavy winter run to market, it expects also to use them as a check on any material advance should a shortage come later. It seeks to stabilize prices in the interest of the foreign and domestic consumer as well as of the live-stock producer.

All this talk about stabilizing prices, gentlemen, in my opinion, has in it a good deal of buncombe.

The CHAIRMAN. It is the camouflage business?

Mr. BURKE. The "stabilizing of prices" would apparently mean control of the market, i. e., price fixing. He speaks here of "using large foreign orders for pork and beef to support the prices of hogs." I want to call your attention to the fact, gentlemen, that he speaks of large export orders for beef and pork. Since the Food Administration has had charge of the business, meat exports have not been any larger than they were the year previous, but actually smaller.

Senator KENYON. Did Mr. Cotton explain to you what his policies were?

Mr. BURKE. Policies?

Senator KENYON. Yes.

Mr. BURKE. We exhausted ourselves trying to secure the adoption of policies.

Senator KENYON. Does he not have any policies?

Mr. BURKE. We have explained to him, however, that inasmuch as we had nothing whatever to say, had no deciding voice in regard to his policies, and we did not accept any responsibility in connection with them, and we wished it distinctly understood that he would not use our names in connection or place upon us any responsibility for his policies.

Senator KENYON. Has he ever said to you whether he had any policies or not?

Mr. BURKE. He has made public statements from time to time, as emergencies arose.

The CHAIRMAN. Did you disclaim responsibility on behalf of the producers?

Mr. BURKE. We disclaim any responsibility on behalf of the producers for his policies, on the ground that we had no voice in shaping them.

The CHAIRMAN. You have spoken to him repeatedly in behalf of the producers?

Mr. BURKE. We did speak to him repeatedly on behalf of the producers.

After having read this in regard to Durand and Cotton, I would like to give you Mr. Hoover's version of his authority to fix prices or shape them:

There appears to be a good deal of misinformation circulated amongst the agricultural community as to the policy and scope of the Food Administration with relation to price fixing. I wish to say at once and emphatically that the Food Administration is not a price-fixing body except with regard to certain commodities which are to-day dominated by wholly abnormal overseas commercial relations, and the surrounding factors with regard to which are such as to project great dangers both against the farming community and at the same time the consuming community. The two commodities under regulation are wheat and sugar. With the further exception of cases in which it has intervened purely as a friendly intermediary between organized producers and consumers—as in city milk—the executive department of the Government has no authority and no desire to fix prices of products of agriculture.

Gentlemen, I submit that this is not a frank statement, in view of the indirect methods of control that have been exercised and in connection with the destroying of the demand for the product.

Senator THOMPSON. What is the date of that statement?

Mr. BURKE. That is February 25. And also in connection with the repeated statement of Mr. Cotton that he intends to use his power to stabilize prices. The word "stabilize," you know, is a very euphonious expression; it sounds good, but it means "control."

That has been the trouble, gentlemen, all the way through; that is really the crux of the situation in regard to the distrust, the discontent of the producers with the Food Administration. They—the Food Administration—say one thing and they mean something else.

The CHAIRMAN. Your complaint, Mr. Burke, is this, in the main: That, of course, the producers would be willing and, as a matter of necessity, be glad to take "pot luck" if the law of supply and demand were left free. You have always done that, and you would do it again if you were subjected to that condition?

Mr. BURKE. Yes; a "fair field and no favors."

The CHAIRMAN. Your feeling is that there is an artificial force in the situation?

Mr. BURKE. That is it; and in spite of their repeated assertions that they have no desire to control or fix prices, they just keep right on fixing them all the time. And I say that is not a frank or fair way to treat the producers of this country, that it will result and has already resulted in disaster to the producers and later on will result in disaster to the country unless there is a franker and cleaner-cut policy pursued and announced very shortly.

The CHAIRMAN. The artificial force which has suspended or modified the law of supply and demand operates to the disadvantage of the producer?

Mr. BURKE. Yes; I think that it has done so.

The CHAIRMAN. Mr. Burke, do you think it is an economic fact and do you think it is a truism that whatever hurts the producer in the long run hurts the consumer?

Mr. BURKE. It will undoubtedly result in a shortage of supplies for the consumer; instead of his having a normal or liberal supply, he will have a famine, and it will hurt him to just that extent.

Senator KENYON. As I understand, the producers of this country were asked to make a contribution to the public welfare by the production of live stock, and, as I understand it, they came to the front and did their full duty with the idea that at least a reasonable cost would be recognized; they did not ask for any large profits, and as I further understand, they now feel that in complying with this patriotic demand they have gotten the worst of it; is not that the fact?

Mr. BURKE. There is no question about it. There was a meeting of very intelligent farmers at Bloomington, Ill., on February 23, and they passed some resolutions there that are worth while, to say the least. This was what was called the Illinois Farmers' Institute. I am going to ask permission to insert this in the record, but to just give you an idea of the flavor of this, I would like to read you a few lines:

Most serious of all is the loss of confidence in the good faith of the Food Administration and the exemption boards. Morale is as important in the army of food producers as among the fighting forces. Morale can not be maintained in the face of vacillating policies that keep food producers in a state of uncertainty. We take the liberty, therefore, to make the following recommendations, and ask that the President of the United States give them his immediate and careful consideration:

(a) That the War Department issue immediate instructions to the district boards to review all agricultural claims for deferred classification and decide them in accordance with the plain intention of the draft classification rules.

(b) That the Food Administration issue immediately a plain and unequivocal statement of its policy toward agriculture; that it show its good faith by fixing a milk

price for the Chicago district in accordance with Mr. Wheeler's signed promise; that it give assurance that the minimum ratio of 13 to 1 for the 1918 crop of hogs will be maintained—

Senator KENYON. Who is Mr. Wheeler?

Mr. BURKE. Mr. Wheeler is the food administrator for Illinois.

The CHAIRMAN. He is president of the Union Trust Co.?

A VOICE. Yes; he is.

The CHAIRMAN. Do the packers control that institution or not?

Mr. BURKE. I do not know. [Reading:]

That meatless days be enforced with more consideration for their effect on future production.

We feel that the Food Administration is overemphasizing the importance of food saving and overlooking the much greater importance of food production. No amount of saving can make up for a partial failure in the work of production.

This is a splendid lot of resolutions which are just a sample of the kind of stuff these people got out.

(The resolutions in full as submitted by Mr. Burke are here printed, as follows:)

BLOOMINGTON, ILL., February 23.

The following resolutions were unanimously adopted at the annual meeting of the Illinois Farmers' Institute:

Whereas we are engaged in a great war that calls for the utmost efforts of all our people and

Whereas the world shortage of food places a particularly heavy burden upon the shoulders of the food producers: Therefore, be it

Resolved, That we pledge our fullest efforts to the work of food production in 1918, and that we leave nothing undone to secure the greatest possible production of food crops, and especially of wheat and pork, which are particularly needed at this time; and be it further

Resolved, That we indorse the work of the State council of defense and of its food production and conservation committee, and pledge to the council and its food production committee our fullest measure of cooperation.

Whereas the State legislature has submitted for consideration at the general election in November a \$60,000,000 bond issue for the purpose of constructing a State-wide system of surfaced roads, the cost of retiring such bonds to be met from the automobile license fees; and

Whereas the governor has stated that if this bond issue is authorized he will not issue the bonds until the close of the war, when materials and labor will be cheaper and when an undertaking of this character can be commenced to advantage: Therefore, be it

Resolved, That we favor the approval of this bond issue by the voters of the State in order that we may begin a comprehensive State-wide system of highways that will be usable at all seasons and in all weather.

CRISIS THREATENED.

Whereas the food situation is so serious as to threaten a national crisis, and Whereas unless the Government adopts at once a strong and unequivocal agricultural policy, nothing but a season much more favorable than normal can prevent a food shortage bordering on famine: Therefore, be it

Resolved, That we call the attention of the President of the United States to the following facts:

1. The attitude of the Food Administration is tending to destroy the confidence of farmers in its good faith, and is seriously affecting the morale of our agricultural population.

2. The food administration of Illinois signed a written agreement to fix a price for milk, through a commission, which would give producers cost of production plus a reasonable profit. The commission appointed by the food administrator did not consider cost of production in fixing the price. It set a price for the producers that is sending thousands of good dairy cows to the stock yards and threatening the dairy industry of northern Illinois with ruin. The State food administrator has refused to

in which they are speaking of the beef supply. It states the supply of beef was liberal throughout the week, and then it goes on to say:

Prices have slowly declined on a very light demand and the market remains very weak and draggy. It is not so much a question of prices now as it is to find a buyer.

The CHAIRMAN. What is that statement from?

Mr. BURKE. That is from the weekly report of the meat conditions by the Office of Markets.

Now, in regard to pork:

Heavy receipts of all pork cuts necessitated a heavy movement to the freezer, while considerable quantities which arrived in a stale condition were sold at a wide range in prices. "Porkless days" and "meatless breakfasts" each day have curtailed the consumption of fresh pork probably more than any other meat, and this is being reflected in a heavy decrease in the volume of business.

This is the Department of Agriculture's own statement in regard to the effect of the meatless and porkless days. In other words, they can not dispose of the product, so it goes into the freezers.

Coming to lamb—this is all for the same week—as to Boston, the report says:

The retailers and consumers seem to be paying less and less attention to lamb. Market throughout the week has been dull and extremely draggy, at times practically demoralized. While the heavy-weight lambs have suffered the most, still the lighter averages have come in for their share the present week and prices show a wide range. Practically all arrivals since Wednesday morning of strictly fresh lambs were delivered direct from the cars to the freezer. Market at close to-day seems to be on a little steadier basis.

Then, in New York, in regard to lambs:

There was a normal supply of lambs this week, but far from a normal demand. Trade was extremely dull on both the western and city dressed lambs. Prices remained steady on fresh handy weights and barely steady on the heavier ones which arrived in first-class condition. Sales were made off-condition stock at ridiculously low prices in order to keep the cooler cleaned up.

That would indicate that the consumer would get some benefit where these sales from an overcrowded market are sacrificed at ridiculously low prices.

The only activity that appeared in the lamb market this week was that of asking prices on stale lambs low enough to tempt a buyer.

Although the ban on mutton and lamb was taken off some weeks ago, the effect on the country of the meatless day is still working on this demand, and in my opinion it will take a long time before you can restore the normal demand on any class of meat.

Senator WARREN. The consumption has been less not so much by the meatless days as by the general impression that meat had to be saved, and the people that are not overfond of it deny themselves of meat on that account. Not only that, but people think they are doing a patriotic thing in cutting it out.

Mr. BURKE. Pardon me, Senator, for calling attention that it is claimed that consumption per capita during the year 1917 was actually increased on meat products in this country 10 per cent, but in a case such as we have now—we went into this in some detail this morning when you were not here—the consumption is practically a forced consumption, just as I am showing here, where it is a question of getting rid of the stuff at any kind of a price. It is forced out probably for the most part into the working classes. I imagine they are the people, when prices get low enough, who buy more meat. The ordinary well-to-do citizen does not pay very much attention

We realize our full responsibility in the war and are willing to give our strength, our money, and our lives, if necessary, to our country, but a discouraged agriculture can not supply food in the quantity needed to win the war.

Most serious of all is the loss of confidence in the good faith of the Food Administration and the exemption boards. Morale is as important in the army of food producers as among the fighting forces. Morale can not be maintained in the face of vacillating policies that keep food producers in a state of uncertainty. We take the liberty, therefore, to make the following recommendations, and ask that the President of the United States give them his immediate and careful consideration:

(a) That the War Department issue immediate instructions to the district boards to review all agricultural claims for deferred classification and decide them in accordance with the plain intention of the draft classification rules.

WANT PLAIN STATEMENT.

(b) That the Food Administration issue immediately a plain and unequivocal statement of its policy toward agriculture; that it show its good faith by fixing a milk price for the Chicago district in accordance with Mr. Wheeler's signed promise; that it give assurance that the minimum ratio of 13 to 1 for the 1918 crop of hogs will be maintained, and that the meatless days be enforced with more consideration for their effect on future production.

We feel that the Food Administration is overemphasizing the importance of food saving and overlooking the much greater importance of food production. No amount of saving can make up for a partial failure in the work of production.

We hereby reaffirm our loyalty to our Government in this crisis and pledge the fullest measure of effort to food production during the period of the war. It is only because of the sincerity of our desire to make our efforts fully effective that we ask for the removal, as far as possible, of the obstacles in the way of increased production.

Senator WARREN. I notice you allude to something about the War Department draft interfering with production?

Mr. BURKE. I will read just what it says in that regard:

That the War Department issue immediate instructions to the district boards to review all agricultural claims for deferred classification and decide them in accordance with the plain intention of the draft classification rules.

I presume this is in regard to taking farm hands.

Senator THOMPSON. Yes; that has been covered by recent order from the War Department.

Mr. BURKE. That is all I have to say, except to try to answer Senator Kenyon's question in regard to what should be done to remedy matters.

Senator THOMPSON. I want to ask you this: You have taken a good many exceptions to the Food Administration. You would not advocate doing away with what they call "food control" for that branch of the administration at this time?

Mr. BURKE. I would not advocate that. What we want is a clean-cut agricultural policy, involving production and distribution considered as one problem. We want to know, in the first place, that it will be so clearly stated that there can be no misunderstanding as to what it is, and after announcement we want to be sure that it will be carried out in perfect good faith.

Senator KENYON. Just assume, now, that you are Food Administrator for a few minutes and have this problem and that end to accomplish. What would you do?

Mr. BURKE. I am not so presumptuous, gentlemen, as to think I have the panacea or answer to this question. I merely can suggest what seems to me might be done to effect at least an improvement on the present situation.

As I said this morning, the first thing to do is abrogate the meatless days, with the possible exception of certain of the pork products.

Senator THOMPSON. That has been done, has it not?

Mr. BURKE. Oh, no. With the exception of mutton, we have a meatless Tuesday yet. Meatless meals have been reduced very materially, and the only meatless day left is Tuesday, and mutton is excluded from that.

Senator WARREN. That exclusion terminates the middle of April?

Mr. BURKE. Unless there is further order, I think that is true.

Senator WARREN. It was first removed west of the Mississippi River where there is very light consumption?

Mr. BURKE. Yes.

Senator WARREN. Then they removed it entirely, with the exception of one Tuesday, or something like that, until the middle of April, as I understood it.

Mr. BURKE. I think the first thing they did was to raise the ban on the Pacific States, along about the middle of January. Five States were released out there before any other part of the country, and then this next order that you speak of west of the Mississippi River, and then, later on, everything was released here a week ago Monday for everything except Tuesday.

Then, it seems to me, that a very important thing would be to announce that there would be no unfair practices at the markets; that the control over the packers would be made an effective control, that they would see to it that the producer and the consumer are given a fair, square deal.

Senator THOMPSON. How could they make effective control over the packers without controlling their operations absolutely?

Mr. BURKE. They could not. They would have to control them. They would have to put in men to do that.

Senator THOMPSON. That is practically taking them over, Mr. Burke?

Mr. BURKE. No; I do not think so at all. It is not taking over the packers simply to exercise a control over them.

Senator THOMPSON. They would have to practically run the plants?

Mr. BURKE. No; the men that are running them now would still continue to run them under Government supervision and proper check.

Senator WARREN. They are running the packing plants now under Government inspection.

Mr. BURKE. Yes; but with the loosest kind of control, and the Food Administration has comparatively few men who have been available for this purpose.

Senator THOMPSON. A tightening up in the control, that is what you have reference to?

Mr. BURKE. Yes; a tightening up in the control and extending it to real control instead of just a very loose one.

Then, I would suggest that a policy be announced without restrictions whatever on the demand; that there will be a "fair field and no favors," and that there will be no artificial manipulation of consumption, and that the law of supply and demand shall be permitted to work. Let that alone, and give the producers a "run for their money," and there is nothing in the world that producers will respond to so quickly as to the idea that they have got a clear field and nothing is going to be manipulated to their disadvantage. They all feel

now that there has been manipulation to their disadvantage, and if they could be assured that that would be discontinued, and that they will have a fair chance for their "white alley," I believe they would go to production, and produce not only all the meats of this country, but all those needed for export, and if there is a shortage developed in the supplies for export, I can not see any reason why the Government should not requisition those supplies from the packing houses and pay a fair price for them, and I would advise, in connection with the program, that the Army and Navy, in their purchases, and the Food Administration, in their purchases for export—their purchases are confined to exports—that they should have in mind cost of production; that those figures should be carefully considered in purchasing with a view to, as far as they can, giving the producer the benefit of at least the cost of production.

The CHAIRMAN. It will be time enough to begin compulsory retrenchment of consumption when there is a pressing necessity for meat for our allies, do you not think so?

Mr. BURKE. If sufficient meat supplies for the Government can not be obtained through the usual commercial channels, my way of doing it would be to requisition the necessary supplies. That would necessarily result in a restricted supply for the civilian population here. If you requisition supplies here and send them to the allies over there, we will have just that much less here.

The CHAIRMAN. The people of this country are willing to diminish their consumption below normal to a reasonable extent?

Mr. BURKE. Truly.

The CHAIRMAN. Whenever the necessity arises to supply our allies or Army, and until that time arises this artificial reduction does hurt?

Mr. BURKE. Senator, it is like giving a little child a double-edged tool—this fooling with the economic forces (supply and demand) by men who do not apparently understand the effect that it will have on prices. It is the most dangerous thing, I believe, that has ever been undertaken in this country.

The CHAIRMAN. I think that is true.

Mr. BURKE. They have started a prairie fire by their propaganda. In connection with this meatless-day propaganda, just look where it has gone and the effect it is going to have, and the effect it has already had. It has got clear away from us. Take a time like this, when people are somewhat hysterical and sensitive over war issues. A thing of that kind becomes a symbol by which people try to win the war, and they think every time they deny themselves of a piece of meat they are killing a German.

The CHAIRMAN. They think they can "do their bit" by not eating a bit. They overlook the fact that the fire that warms, to a certain extent, consumes them.

I want to hear you on the profits allowed to the packer. I understand it is not guaranteed, but permission is equivalent to guarantee, in that case. Are you familiar with the earnings that are to be allowed the packers?

Mr. BURKE. It is 9 per cent on meat products. I think there are certain of the by-products that go in at the 9 per cent. It depends on how far they have been developed in the by-product process. If they have been elaborated beyond the point where they are sold in large quantities, then they go in, as I believe, at 15 per cent, but where they are not elaborated up to that point it is 9 per cent.

I have a copy of the license in my bag, which gives all that in detail, and if you care I will put it into the record. I can answer by referring to that. I can give you any specific information that you desire.

The CHAIRMAN. Is it not exceeding 9 per cent on meat products and not exceeding 15 per cent on by-products? I do not see how you get it until the end of the year.

Mr. BURKE. Evidently they have to have a separate system of accounting for the products on the 9 per cent basis, as compared with the 15 per cent products.

The CHAIRMAN. I know, but how can they tell in advance whether it is going to be more than that amount until the year is over and the books are balanced?

Mr. BURKE. They have to make a strict accounting of that every three months at least; and if they find they are over at the end of the three months, then they have to reduce it during the next period.

Senator KENYON. Do you know anything about their methods of bookkeeping? Do you know how many bookkeepers they have?

Mr. BURKE. I have heard there were something like 1,800 accountants of various kinds in Swift & Co.'s establishment, and that the system is very, very complicated, and that the way of keeping the books is shifted occasionally, so that after you get on to their system for one period, that system does not apply for the next period, making it very difficult to follow. I understand there is no uniform system even in one concern. Instead of all of them having to comply with a uniform system of accounts and bookkeeping, I judge it is very complicated and "subject to change without notice."

Senator THOMPSON. That is one important thing, if they were controlled properly that could be controlled also.

Mr. BURKE. Oh, yes; a simple and uniform system of accounting is the very first thing that ought to be demanded.

The CHAIRMAN. Mr. Burke, the committee is very much obliged to you.

STATEMENT OF MR. H. N. OWEN, PUBLISHER FARM, STOCK, AND HOME, MINNEAPOLIS, MINN.

The CHAIRMAN. State your full name, residence, and your business.

Mr. OWEN. Name, H. N. Owen, Minneapolis, Minn., publisher Farm, Stock, and Home.

The CHAIRMAN. Mr. Owen, we are considering the food situation, meat and wheat being the leading articles on the menu. We will be glad to hear from you in regard to wheat and any related topics.

Mr. OWEN. I came down here particularly loaded on the wheat question, and I would like to get before the people who have authority to make the necessary change in the 1918 wheat price the very serious situation that we are facing. We all admit that wheat is going to be a big factor in winning this war. But we set about it in a very peculiar manner to get the necessary acreage. In the first place, I want to say that, as a general proposition, I do not believe that pricefixing is economically sound—in fact, I think it is unsound—and we have either got to do one thing or the other. We have either

The CHAIRMAN. I do not remember the date, but it was early last year when I remember seeing an account of it.

Mr. BURKE. On the question of control, the effect on prices by the Food Administration was brought up this morning. A good many of the Senators were very much interested to know whether the Food Administration did exercise any direct or indirect control over the prices of live stock at the market through the packers. Of course, we all recognize they have exercised a more marked influence over price through their propaganda of restricting the demand.

I will submit a letter dated January 18, 1918, by Mr. Wilhelm, of Cudahy & Co., to Mr. Deising, the representative of the Cudahy Packing Co. at South Side Station, at Omaha, Nebr.:

DEAR SIR: Yeesterday we had quite a meeting in Dr. Durand's office.

Mr. Cotton is chief of the meat division and Dr. Durand is his first assistant. Dr. Durand was Census Commissioner, and he is now located in Chicago in charge of the meat division work there.

Senator KENYON. Was he not the man who proposed to furnish statistics to Mr. Brand as to the packers' operations?

Mr. BURKE. Yes; and he is the man who wrote the Garfield report.

The conservation committee meeting was postponed, and this meeting was to discuss further allotments. Those attending were: Messrs. Meeker and White, of Armour & Co.; Messrs. Hyman and Lacey, of Morris & Co.; Mr. Peterson, of Wilson & Co.; Messrs. Edw. P. Swift, Chas. H. Swift, and Carr, of Swift & Co.; Messrs. Shepart and Wilhelm, of the Cudahy Packing Co.

Dr. Durand said that this thing would have to be handled in some way to avoid advancing the cattle market; that that was the thing that absolutely must not come about, and if it did he would take drastic measures to prevent it; for instance, he indicated that if it required 10 per cent, or even a higher percentage of the purchases to take care of this export business, you were going to be correspondingly short in your branches.

Senator KENDRICK. Was the market at that time, when Dr. Durand made this statement, returning to the producer a reasonable profit?

Mr. BURKE. No; at the time this statement was made, January 18, the market on beef steers was considerably below cost of production.

Senator KENDRICK. Then, there was a real need for an "advance?"

Mr. BURKE. If producers were to get back their money an advance was necessary even at that time, and the market has since grown worse still, relative to cost of production. Permit me to finish Mr. Wilhelm's letter.

This would have a tendency to raise the beef market, which we all admitted, and that, in turn, the live-stock market. We all agreed that we would see that we did not pay any more for live stock.

Mr. Durand attended a meeting last Friday in Chicago, of producers. Where a large number of representative men from the corn belt who met at the College Inn at the stock yards a week ago to-day, and Mr. Durand was invited to attend, and we produced this letter and asked him if he was correctly quoted.

He said he was, and he explained it on the ground that it was necessary at that time in order to protect a very large export order from the British.

Senator KENDRICK. May I ask who produced this letter from the files?

Mr. BURKE. This is a letter that Mr. Heney dug up out of the packers' files.

Of course, you argue that a farmer should be perfectly satisfied with \$2.20 wheat, because it is so much more than he ever got before. Theoretically he should be, but, unfortunately for that argument, the farmer is not operating on a large surplus. He has not a great big surplus in the bank that he can afford to do business on for patriotic motives for two or three years. Here are just a few figures. They are taken from the 1916 Year Book of the Department of Agriculture. We find in that that in Montana 50.9 per cent of the farms are mortgaged, average mortgage of \$2,943. In North Dakota we find a mortgage of 46.3, average of \$1,864; South Dakota the mortgaged farms 38.2, with an average of \$2,897; Minnesota 21.1 per cent of the farms are mortgaged, average \$2,612.

We find for those four spring-wheat States that 49.1 per cent of those farms are mortgaged. Then, on top of that, we find the average rented farms for those States is 18.5 per cent. That makes 67.6 per cent of our farms are either rented or mortgaged. So that we practically have only 32.4 per cent of our farmers as free agents. A man who has got a mortgage, got interest to meet of \$100 or \$150, as the case may be, or if he is on a rented farm, he has got to do as the owner says. If he has this interest to meet he has got to devote his acres to the product that will give him the money.

The farmer is just as patriotic as anybody; he is willing to go the limit, and he is uncomplaining. But he does not like to be asked to grow wheat without a profit, and then be damned because he does not buy liberty loan bonds when they come around to make the drive, when, in point of fact he may have made sacrifices for the good of the country that means more to him than the \$50,000 bond subscription does to a man of the \$50,000 kind.

The cost of production has gone up very materially. Let us just take the items of machinery. I have these prices from a town in the Red River Valley, in the northern part of Minnesota, and I think they would be a fair reflection of what the farmer in our big wheat-growing country must pay, compared to 1914. In 1914 a 7-foot self-binder retailed for \$150. In 1917 that binder retailed for \$185, and in 1918 for \$250. A 20 double-disk drill was \$130 in 1914 and \$145 in 1917, and this year it cost \$200. A 14-inch gang plow was \$65 in 1914, \$85 in 1917, and now it is \$140. A lumber wagon complete—just the ordinary farm wagon—cost in 1914 \$75; in 1917 it cost \$95, and in 1918 it cost \$150. You see the jump from 1915 to 1918 has been enormous. Binding twine has gone up from 9 cents in 1914 to 20 cents in 1917 and 26 cents in 1918. Harness is up about 20 per cent.

Last year they were able to get men in the Red River Valley by making an eight-month contract with them for \$35 a month and board. My correspondent, Mr. Hill, up there, says: "We are now offering \$65 a month and board for eight months' work, but are not getting any men." You can figure it out—I can not, because I do not go into higher mathematics—the percentage between \$35 and board to get the men and \$65 and board and not getting the men. What they are going to do for men up there I do not know. It is going to mean that a lot of the women—mothers and the girls—have got to get out and do field work. I am very glad to say that our agricultural conditions have not been such in this country as to make woman labor in the fields efficient. It is not efficient, and I am glad of it, and I hope it will never be so, because we do not want to have that condition prevail in this country.

We were taken to task by the chairman of the Ninth Federal Reserve Bank, for, as he said, "stirring this thing up." He assumed if no one had told the farmers that they were getting the worst of it on this wheat situation everything would have been lovely. They would have gone to work and worked their heads off. We, to use slang, "passed the buck" to the chairman of the Federal reserve bank in this way: We said, "We would like to know very much what the country banks will do for a man who devotes a large per cent of his acreage to wheat at the set price, and when fall comes along and he can not meet the interest on his note or can not take the note up, what will you do?"

We thought it would be a mighty nice thing to come out and announce that the Federal reserve bank had stated that their country banks were going to stand by the farmer patriotically if the farmer would come across and put in wheat irrespective of his profits. I want to say, gentlemen, that I never saw as long a letter that said as little on that subject as the reply we got from Mr. Rich, the chairman of the Federal reserve bank.

The CHAIRMAN. It was like a political platform?

Mr. OWEN. Just about, and meant just about as much. So, we concluded we could not expect very much help from that quarter.

I have here some letters from big, representative farmers. We have not taken the little fellows. Here is one from J. D. Bacon. I think Mr. Bacon was down here last fall at the time the price-fixing hearings were held. He was one of the committeemen from North Dakota. He is a breeder of Holstein-Friesian cattle, and he is a big operator. When I found I was coming down, I got in touch with him, because I knew he would know as much about conditions in his part of North Dakota—he is at Grand Forks, which is in the center of a very large wheat-producing area—and this was the answer that I got [reading]:

GRAND FORKS, N. DAK., March 8, 1918.

Mr. H. M. OWEN, *Minneapolis, Minn.*

DEAR MR. OWEN: I have your wire and note you ask my judgment as to the feeling of our people in regard to the wheat-acreage situation. Replying will say most of our people really want to be patriotic and conform to the wishes of the Government regarding crops, but you realize what human selfishness is, and there is no question whatever but that a great many people will seed the kind of grain they believe they can make the most money out of.

We have felt, ever since the price was fixed last fall, that the spring-wheat grower was discriminated against, in that the price made by supply and demand, which was \$3.06 per bushel the day Mr. Hoover made his statement, and it dropped down to below \$2 per bushel at the point of loading; especially so in the face of the fact that wheat was the only food commodity on which we were short, and the further fact that the winter-wheat growers had an opportunity to deliver their wheat at the supply-and-demand price, and we were just beginning to deliver ours.

At the present price of corn, oats, barley, etc., wheat is the cheapest food product, even for live stock. A good many of our people will sow the wheat anyway, but you realize that when wheat is lower than other commodities, and the facts are that it is cheaper to feed, even to live stock, and the further fact that at present prices, barley or oats—either one—would be more profitable to grow, it will certainly have a tendency to increase consumption and decrease acreage, when the opposite is just what we want. All real loyal citizens are using every opportunity to urge increased acreage of wheat, but you know the results of selfishness and can judge as well as I.

I do not understand why the Government does not either lift the restrictions and let supply and demand govern all these products, or else put them all in the list, fix all prices, and that would be comparatively fair to everyone concerned. The Government experts at Washington, I am sure, will agree with us along the line of cost of production.

I am inclosing you copy of brief I furnished the price-fixing committee last fall and in this schedule there could be added some extra amounts for wages, as they are going to be much higher this year.

Trusting that this may be of some service to you, I am,

Yours, very truly,

J. D. BACON.

Mr. Bacon is not a Bolsheviki; he is a good, solid, substantial man. He knows what he is talking about.

The CHAIRMAN. When Mr. Hoover made his statement the price of wheat went off one-third, and the price of agricultural implements have gone up nearly one-third?

Mr. OWEN. That is what has happened.

The CHAIRMAN. A pretty wide spread?

Mr. OWEN. Yes.

A mass of letters I have here, but to read them all at this time is hardly necessary, because they would be largely repetition.

Senator KENDRICK. Is this \$2.20 accepted as a maximum price?

Mr. OWEN. Well, it is a maximum price.

Senator KENDRICK. Is that the highest price that is paid?

Mr. OWEN. \$2.20 is the Chicago price; \$2.17 the Minneapolis price. Then, freight rates, of course, determine prices. It will get down as low as \$2 or even as low as \$1.98 at some Montana points. That is for good No. 1 wheat.

The CHAIRMAN. That is the ideal grade?

Mr. OWEN. That is the ideal grade; yes.

Senator KENDRICK. Referring to this price that you quoted a while ago as the highest price named, was there any considerable number of farmers who obtained that price? Or was it a price to which the speculators drove the price of grain after the farmers had largely disposed of their crop?

Mr. OWEN. It was the cash price, that \$3.06 at Mr. Bacon's town of Grand Forks, N. Dak.

The CHAIRMAN. The farmers were getting it?

Mr. OWEN. The farmers were getting it, providing they had any. But, of course, the spring-wheat farmers in that part of the country had not begun to move their crop.

The CHAIRMAN. But with regard to the winter wheat I would state, for Senator Kendrick's benefit, that the winter wheat was moved by the farmers' wagons to the elevators.

Senator KENDRICK. Moving at \$3.06?

The CHAIRMAN. At \$2.75 to \$3.05—some got \$3.05 in my State for their wheat.

Mr. OWEN. But just take into consideration the difference. You are figuring there two different kinds of wheat. This was hard spring wheat.

Senator KENDRICK. It was worth a great deal more?

Mr. OWEN. Yes; because Minneapolis mills are hard spring wheat mills. So that the farmer feels up there as though he was handed a package, and you can hardly blame him, because he saw what the price was one day and he saw what the Government regulation did.

Senator KENYON. Has this dissatisfaction of the farm had anything to do with the growth of the Non-Partisan League?

Mr. OWEN. I think that that is really the big factor.

Senator KENYON. That started a long time before.

Mr. OWEN. It did. That is a long story, and the hour is growing late. But it was general condition there in North Dakota that gave it its footing; and then this dissatisfaction with the wheat growing and the wheat prices, I think, has helped it along.

Senator KENYON. The Non-Partisan League started long before the war, before the price-fixing was inaugurated?

Mr. OWEN. Not very long before. I think that the first we began to hear of it was in 1914. It started some time before we entered the war, but I think it was the summer of 1914 when we first heard of them organizing out there.

But the fact remains, as things stand now, that we are not going to get an increase in our wheat acreage; and we may get a decrease, although I very much dislike to see that, in fact, I would like to see an increase. But you know the winter-wheat farmers were called on last fall for 47,000,000 acres of winter wheat. They did not get it by about 5,000,000 acres; they got about 42,000,000 acres.

The spring-wheat farmers have been called upon for practically 5,000,000 acres more than last year. It does not make very much difference how well intentioned or how patriotic our farmers may be—and I tell you they are patriotic; they have let their sons volunteer, they have seen their boys taken in the draft, and they are good fellows, good game sports; they are not kicking at all on that.

The CHAIRMAN. I imagine the farmers of this country are willing to take their shirts off to win the war, but they would like to see the manufacturers unbutton their shirt collars?

Mr. OWEN. They feel they are being asked to make sacrifices that other men in other lines are not being asked to make.

The CHAIRMAN. What they object to is the inequality of the sacrifice?

Mr. OWEN. Yes; and that is one reason why he feels he wants a square deal. But aside from that, we will grant that they want to do it, it is a physical impossibility, even with \$2.75 wheat to increase our spring wheat acreage to the extent of 5,000,000 acres.

Senator KENYON. Can not the farmer make money in raising wheat at \$2.20?

Mr. OWEN. He can just about break even with the labor condition and prices of everything he has to buy, his clothing is up, his labor is up.

The CHAIRMAN. They can raise more corn to the acre than of wheat?

Mr. OWEN. They can raise more corn per acre than wheat and more barley to the acre than wheat.

Senator KENYON. But they can raise wheat on land upon which they can not raise corn?

Mr. OWEN. That is very true, but it is not advisable for a man to put in wheat. He will lose out on that, and when you get west of a north and south line, drawn, say, about Bismarck, you begin to get over where a wheat crop is very hazardous.

The CHAIRMAN. About the one hundredth meridian?

Mr. OWEN. Just about. When you get beyond that, you are gambling.

Senator KENDRICK. It is too arid west of that line?

Mr. OWEN. Yes; sometimes you make it and sometimes you do not. Last year they did not, and that is the reason they want some money

for seed down there in western North Dakota and eastern Montana where they were very hard hit. They have got to take that into consideration. If you could grow a crop of wheat as an even proposition, if you get 12 or 13 bushels out of every crop you put in, then \$2 wheat would be easy money. But we have not the crop that is dependable for a main crop which fluctuates the way the wheat crop will do, especially spring wheat; 24 hours of the wrong kind of weather, just as the wheat is growing from the milk to the dough stage will cut a crop 75 per cent, as the result of a hot wind just at that time. The wheat crop is one of the most hazardous things that a farmer undertakes to handle. That feature must be taken into consideration.

The CHAIRMAN. If \$2.20 would pay the average farmer under average farm conditions for this wheat, we will have to have a higher price than that to induce a man below the average to raise it?

Mr. OWEN. A man west of the one hundredth meridian would require more than that.

The CHAIRMAN. And in a crisis it is the man below the average that you want to look after?

Mr. OWEN. Absolutely. We have got to have the wheat, and the only way you can get anything in this world that you have got to have is to pay for it. You can not get it any other way.

The CHAIRMAN. Do you think adequate prices is about as good a stimulus for the producer as can be found?

Mr. OWEN. Absolutely. You know how it is in your own finances. If you men knew by going into a certain line of business that you could make more money than in some other line, you would push the line you were sure to make the money on.

Price-fixing has never got anywhere in the history of the world, except to bring trouble. They used to try it when our economic structure was a great deal simpler than it is to-day and they failed on it. And now, when you put your hand into the complex organization or use a club on the complex organization of to-day, you do not know to what extent they are going to disarrange the machinery, and the idea of trying to get an increased production of an article by cutting its price down is going to make water run up hill. It has never been done. I am willing to grant that if we could get out and put it up to every farmer as an individual proposition that we might get somewhere; if that farmer was in a position to increase his acreage. But it brings us to the labor situation, that brings us to the short period of wheat seeding.

Theoretically they can put in wheat up in that country to the last week in May; practically it is a very foolish thing to do, because late seeding brings the wheat into the period of the hot winds; it brings it into the period of change from the milk to the dough when you are likely to get the hot winds. Then, late seeding in the northern part of the spring-wheat territory makes you liable to frost damage. So that practically there is only about a month that they can put in wheat, and they can not put in wheat and it is foolish to think of putting in wheat on anything but fall-plowed land. There is a difference of about 5 bushels per acre in the yield of wheat on the fall plowing as compared with spring plowing. Of course, even at \$2 wheat a man is not going to take a change of 5 bushels less to the acre and put his wheat in on spring plowing. But there is enough

land in the big spring-wheat territory that was fall plowed last year that will go into wheat provided the inducement is made; provided they can make almost as much money on wheat as they can out of the coarse grain.

Of course, even at \$2.75, barley, rye, and corn would still be a little better proposition, but I think the farmers there would be willing to take that chance, because they might say that the coarse grains might go down enough to wipe out that difference.

Just let me give a little illustration of comparative charges. Mr. Hughes, our editor, figured out, taking the price of coarse grains in the middle of January, that wheat should be \$2.77 on that basis. Without knowing Mr. Hughes was working on it, Mr. Meade, the publisher of the Commercial West, was figuring the same way, and Mr. Mahew, the secretary of the chamber of commerce, was also figuring to see what wheat should be worth, based on the prevailing prices of coarse grains. And those three men working independently of each other arrived at practically the same figure.

The CHAIRMAN. Based on the ratio of prices over a long series of years?

Mr. OWEN. Yes.

The CHAIRMAN. Do you have that calculation in such form that you could put it in the record?

Mr. OWEN. I have not the calculations; I have the results of the calculations.

The CHAIRMAN. All right; we will take the results.

(The statement of comparative prices referred to is here printed in full, as follows.)

[From Farm, Stock and Home, March 1, 1918.]

WHAT \$2.17 WHEAT MEANS.

DEAR MR. STEENESE. In reply to your telegram asking for data underlying the "Open Letter to Congress" appearing in the February 1 issue of Farm, Stock and Home, we are glad to give you the following, all the figures of yield and price estimates being taken from the statistical data in the 1916 Yearbook of the Department of Agriculture.

The general situation, as Farm, Stock and Home understands it, is that the primary agricultural need of the Nation is more wheat with which to meet the shortage now existing among the allied nations.

The United States is being looked to for largely increased production.

It was held that the \$2 price set was sufficiently high to bring the necessary acreage.

The winter wheat acreage, two-thirds of our total, is only about normal, and the winter wheat condition is not promising of any materially increased wheat yields in that direction.

The increased yield must come, if at all, from spring wheat acreage.

WHERE WHEAT MUST COME FROM.

The normal spring wheat area is in the Northwest—Minnesota, South and North Dakota leading.

As a matter of opinion, Farm, Stock and Home believes that throughout this area the normal acreage will be sown, and that such increase as there may be locally will be wholly insufficient to make probable a production materially above the annual average.

In other words, the desired increased acreage is not a matter of whistling for and getting. Man and horse labor is already working to the limit. Every additional acre of wheat means an acre less of some other crop.

The crops for which wheat may be substituted are mainly the cereals—rye, oats, and barley, also corn and flax. The farmer, in considering a shift from his regular plans, will naturally be guided by current prices, therefore, Farm, Stock and Home is figuring probabilities on the basis of February 16, Minneapolis quotations.

HOW IT LOOKS TO THE FARMER.

The first probability is wheat at the \$2.17 price just fixed.

The 10-year average yield (1907-1916) for the entire Nation was 14.7 bushels, having a valuation (estimated for 1911-1915) of \$13.45 per acre. This yield includes the winter wheat area with its larger yields. The bulk of the spring wheat area (Minnesota, North Dakota, South Dakota) has a 10-year average yield (1907-1916) of 11.9 bushels, valued at \$10.15.

It is this latter area and the northern States adjoining, having like crop probabilities, to which we must look for any material increase in the wheat acreage.

Applying the \$2.17 price to the yields mentioned, the price per acre outlook for the United States as a whole is \$31.89; for the three big wheat States of the Northwest, \$26.23.

It is this \$26.23 per acre figure, rather than the general average, that must be considered. It is this, rather than the national average, that the farmer north of a line drawn east and west through southern Iowa, will consider when debating with himself how his acres can most profitably serve the Nation.

HOW RYE LOOKS AT PRESENT PRICES.

With this acre probability of \$26.23 for spring wheat compare rye, a crop small in acreage, unable at the very best to change the situation materially. With a total United States acreage of 3,000,000, rye averaged for the 1907-1916 period 16.3 bushels. For the three States of Minnesota, North Dakota, and South Dakota, the average for the period in question was 16.9 bushels. The average valuation per acre (1911-1916) was, for the United States, \$12.67, and for the Northwestern States named, \$11.59, the lower figure for the Northwest being due to an unfavorable price on the local markets.

The Minneapolis market quotations for February 16, 1918, show cash rye at \$2.20. Therefore, the farmer, in weighing rye against wheat at \$2.17, is considering a crop return for the United States of \$35.86 per acre, and for the Northwest the present basis of estimate is \$37.18, as against the \$26.23 estimate for wheat.

FLAX AND ITS PROBABILITIES.

Flax is also a minor crop centering the bulk of its total of less than 2,000,000 acres in the spring wheat area. Its main acreage is sown after spring wheat seeding is completed. The question here is not whether flax acreage will be given up for wheat, but exactly the reverse. With flax the more profitable crop there will be a temptation to the farmer having suitable land to let down in his wheat seeding efforts, knowing that late and unprofitable spring wheat seeding time merges into the most favorable flax sowing period.

A comparison of yields and prices shows a United States 10-year average of 8.6 bushels, and an average for Minnesota, North Dakota, and Wisconsin of 8.7 bushels. This means an average value (1911-1916) for the United States of \$12.31, and for the Northwest of \$12.37.

330 INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

Table showing average of yields for 1907-1916 and average of prices for the 1911-1916 period, together with the comparative values indicated by such average yields coupled with present open prices of coarse grains and the fixed \$2.17 wheat price guaranteed for the 1918 crop.

| | Acreage (United States). | Yield. | | Value per bushel. | | Value per acre (United States) |
|-------------|--------------------------------|-------------------|-----------------|-------------------|-----------------|---|
| | | United States. | North- west. | United States. | North- west. | |
| | | <i>Bushels.</i> | <i>Bushels.</i> | <i>Cents.</i> | <i>Cents.</i> | |
| Wheat..... | ¹ 60,000,000 | 14.7 | 11.9 | 94 | 87 | \$13.45 |
| Rye..... | 3,000,000 | 16.3 | 16.9 | 79.7 | 71 | 12.67 |
| Flax..... | 1,600,000 | 8.6 | 8.7 | 156 | 157 | 12.31 |
| Oats..... | 42,000,000 | 29.9 | 26 | 41.5 | 36 | 12.20 |
| Barley..... | 8,000,000 | 25.2 | 21.7 | 62 | 56.3 | 15.31 |
| Corn..... | 106,000,000 | 26 | 28.4 | | | |

| | Acreage (United States). | Average value per acre (North- west). | Present value per acre. | | Value per acre of fixed wheat per \$2.17. | Esti- mated loss per acre, North- west (compar- ative). |
|-------------|--------------------------------|---|----------------------------|-----------------|---|--|
| | | | United States. | North- west. | | |
| Wheat..... | ¹ 60,000,000 | \$10.43 | \$29.40 | \$26.23 | | |
| Rye..... | 3,000,000 | 11.59 | 35.86 | 37.18 | \$26.23 | \$10.97 |
| Flax..... | 1,600,000 | 12.38 | 32.42 | 32.80 | 26.23 | 6.57 |
| Oats..... | 42,000,000 | 10.16 | 26.64 | 24.77 | 26.23 | ² 1.46 |
| Barley..... | 8,000,000 | 12.22 | 43.24 | 36.32 | 26.23 | 10.09 |
| Corn..... | 106,000,000 | | 45.50 | 49.70 | 26.23 | 23.47 |

¹ 41,000,000 winter and 19,000,000 spring.

² Gain.

Again, using the Minneapolis market quotations for February 16, the prospective value of acre of flax is, for the United States, \$32.42, and for the Northwest \$32.80—as against the outlook for wheat at \$26.23 per acre.

LOOKING AT OATS.

Oats are a crop of much wider replacement possibilities, having about the same range as wheat and corn combined. Seeding, both by reason of desirable time and general practice, covers the same period of spring. The total acreage, and its general distribution, makes oats an important crop to consider in this connection. But it must be remembered that oats are a feed crop, and, especially in the spring wheat area, grown chiefly for home consumption. Replacement by wheat is probable only in the case of oats raised as a cash crop, and here the fact is that the yields herewith given do not quite indicate the situation. Much larger individual yields are common, and are commonly figured on by the farmer in estimating probable returns.

The 10-year average (1907-1916) gives the United States 29.9 bushels per acre, and the three Northwestern States 26.1 bushels, having a value per acre, respectively (1911-1916), of \$12.20 and \$10.16.

Present Minneapolis quotations give No. 2 white oats a probable value per acre for the United States of \$26.64, and for the Northwest a value of \$24.77. And in this connection it should be noted that their values, based upon unheard-of prices, accompany the greatest United States oat crop in history. The farmer conversant with the situation will see little in the outlook to induce him to sacrifice oats acreage for wheat, particularly if to do so means a possible shortage of feed and the necessity of going onto the market next winter as a buyer.

BARLEY AS A WHEAT-GROUND POSSIBILITY.

Barley offers considerable possibility of substitution. Its less than 8,000,000 acres center in the Northwest, covering much the same ground as spring wheat. It is largely a cash crop. It is seeded at the same time as wheat. It can be largely dispensed with.

Its 10-year average yield (1907-1916) for the United States was 25.2 bushels per acre for the three Northwestern States 21.7 bushels. The value per acre (1911-1916) averaged for the United States \$15.31 and for the two Dakotas and Minnesota \$12.22.

On the basis of February 16, Minneapolis quotations, United States barley probabilities look forward to a \$43.24 per acre crop, and the Northwestern prospect is \$36.72—this as against spring wheat at \$26.23 per acre.

WHEAT CORN OFFERS THE FARMER.

Last of the main substitution possibilities we have corn. On account of the seed shortage it is highly probable that a large acreage throughout the entire northern corn belt and extending over the greater portion of the spring-wheat area will be turned, temporarily, to other crops. Where corn is a feed crop, barley will be favored; oats will take some of this deserted area; some, anticipating a continued shortage of labor, will be seeded down to meadow or pasture. A proper grading system and a proper price level might attract a large acreage through the Nebraska-Iowa-Illinois-Ohio area to spring wheat.

The corn outlook for next year is extremely bad, and farmers are paying as high as \$15 a bushel to obtain seed. With the cost of production considerably higher than in the case of the small grains, the 10-year average and present prices point to \$45.50 per acre for the United States and \$49.50 for the Northwestern States of Minnesota and the Dakotas.

Referring to the table it will be noticed that in all but one instance wheat at the \$2.17 set price shows up unfavorably in comparison with possible replacement crops. The spread in the cases of rye, flax, oats, and barley is on a common basis as to cost of growing. The figures for corn do not allow for the extra cost of growing, a possible \$15 per acre. This deduction would still leave corn leader over wheat by \$11.90 per acre.

Wheat at 1918 and proposed prices compared to coarse grains in probable return per acre.

| | | | | | | |
|----------------------------------|-------------------------------|--|--------------------------------|-----------------------------------|--------------------------------|---------------------------------|
| WHEAT 11.9 bushels \$26.23 | OATS 28 bushels \$24.77 | WHEAT At proposed price, \$2.75 \$32.72 | FLAX 8.7 bushels \$32.90 | BARLEY 21.7 bushels \$36.33 | RYE 16.9 bushels \$37.18 | CORN 28.4 bushels \$49.70 |
|----------------------------------|-------------------------------|--|--------------------------------|-----------------------------------|--------------------------------|---------------------------------|

YIELDS AND PRICE ESTIMATES FAIR.

It may be urged that Farm, Stock and Home is unfair in using the figures of yield returns and price estimates of the Northwest and also in using the current cash prices of grains. Again let us emphasize the point that it is the Northwestern estimates rather than the national that must be followed, because it is in the spring wheat section and northern corn belt that the looked for increase in wheat acreage must come. When estimating probable crop results the farmer naturally follows the practice of figuring from current prices. In the present instance he has reason to believe that the relative level of these prices will not be seriously changed another fall. Note the present high price of oats coupled with the largest crop ever harvested the heavy demand for all coarse grains, the small carry over in prospect, and the fact that we are feeding a hungry world precludes the probability of any drastic decline in prices for the 1918 harvest of coarse grains.

Farm, Stock and Home has also made an estimate of what the price of wheat should be in comparison with the prices of other grains at current cash prices. Taking the five-year period of 1911-16 as the basis of estimate in comparison the relative price of wheat and other grains for this period, then applying this relationship to the present day cash prices of rye, flax, oats, barley, and corn, the price level for each of the crops named appears as indicated in the subjoined tables:

PER ACRE VALUE.

| | | | United States. | North-west. |
|--------------------|----------------------|--|----------------|-------------|
| Wheat, 94 | | | | |
| Oats, 41.5—\$0.88½ | Wheat should be..... | | \$2.01 | \$2.32 |
| Rye, 79.7— 2.20. | Wheat should be..... | | 2.49 | 2.91 |
| Flax, 156.3— 3.77. | Wheat should be..... | | 2.26 | 2.27 |
| Barley, 62 — 1.72. | Wheat should be..... | | 2.49 | 2.61 |
| Corn, 61 — 1.75. | Wheat should be..... | | 2.70 | .... |

VALUE PER ACRE.
(1911-1916.)AVERAGE PRICE IN CENTS PER BUSHEL.
(1911-1916.)

| | United States. | North-west. | | United States. | North-west. |
|-------------|----------------|-------------|-------------|----------------|-------------|
| Wheat..... | \$13.45 | \$10.15 | Wheat..... | 96.2 | 94 |
| Oats..... | 12.20 | 10.16 | Oats..... | 41.5 | 36 |
| Rye..... | 12.67 | 11.59 | Rye..... | 79.7 | 71 |
| Flax..... | 12.31 | 12.37 | Flax..... | 156.3 | 156 |
| Barley..... | 15.31 | 12.56 | Barley..... | 62 | 56.3 |

In the above estimates of wheat prices made, one is for the entire United States, one on the basis of crop area throughout the Northwest and one on the basis of comparison with spring-wheat average returns and prices. In noticing these tables please take into account the fact already stated that barley is one of the main replacement crops and that rye, another direct replacement crop, is to be considered, while flax, because of its later sowing, and oats, because of its needs as a feed crop, do not so directly affect the situation. The Northwestern valuation of wheat as related to corn has not been computed, the figures for the corn belt, in general being considered about correct for this area. The replacement of corn acreage in any event will be largely outside of the spring-wheat area.

\$2.75 WHEAT IS IN LINE.

We have, then, the three crops (corn, barley, and rye) chiefly to consider when estimating the present day valuation of wheat as compared with replacement crops. Farm, Stock, and Home asked in "An open letter to Congress" a \$2.75 per bushel fixed price on wheat, averaging the present valuations of corn, barley, and rye and comparing their relation during the past five years with the price of wheat, their present level indicates for wheat a comparative value of \$2.77. In other words, \$2.75 per bushel may be considered by the farmer as the equivalent in price of present day quotations for corn, barley, and rye, the three chief crops that he may consider replacing with wheat.

HOW GET MORE WHEAT?

We are fully aware that it will be said that the farmer should be patriotic and that the \$2.17 price plus the appeal to patriotism should be sufficient. Unquestionably, many farmers will follow this appeal. Farm, Stock and Home has reason to believe

that the patriotism of the spring wheat grower will induce him to plant the usual acreage, but what we as a Nation are considering is not the action of the spring wheat grower so much as it is the action of the man who is not now growing wheat—the corn grower, the barley grower, the rye grower, the flax grower, the oat grower. It can not be too strongly pointed out that each of these lines of business is a distinct and separate line of manufacture from that of wheat growing. Each man has taken up this line for some definite and to him well understood reason. He has made a success of it or he would not be in it. He grows his certain percentage of barley, of rye, or oats, or flax, because it fits well into his scheme of farming and into the season during which his teams may be employed in the seeding. These individual business reasons will cause him to hesitate before disrupting his scheme of operation, or largely increasing his wheat acreage. To hope for an increase in the wheat acreage sufficient to cover the demands of the situation by an appeal to patriotism directed to men who are not interested primarily or largely in wheat growing, men who would have to alter their scheme of farming, hunt up seed and deliberately face a large prospective loss in the operation, is to expect the impossible and face certain disappointment.

WHAT CONGRESS SHOULD DO.

The problem before us is simple. We need ten to fifteen million acres more spring wheat than we had last year. All that has been done, all that is being done, will not in all probability give us anything but a small increase over the normal spring wheat acreage. To get the acreage required to bring our yield up to the desired figures, three things are necessary. The farmer must feel secure in his labor supply. This is now being taken care of by the Federal Government. In the second place, he must feel that the grades established are fair. Unquestionably the unfairness of the existing wheat grades is having a retarding effect on the prospective acreage and immediate alteration of these grades in line with the just demands of the farmers of the Nation should be made. In the third place, the question of total wheat production is primarily a matter of price. It seems clear to Farm, Stock, and Home that the \$2.17 price per bushel fixed by Congress last year is entirely too low when measured by present prices of all other grains, of supplies, of labor, of living necessities.

MEETING THE BREAD COST ARGUMENT.

Again it will be urged that this price is exorbitant and will result in a greatly increased cost of the loaf to the consumer. Granted that there will be an increase, Farm, Stock and Home insists that the entire question is not economical, but one of necessity. The wheat must be produced and short of paying a figure that will bring a sufficient price to wheat producers there is no other way to get it. If that price means too high a price for bread, then let the American Government do exactly what the British Government has done and absorb the difference by a sinking fund.

Farm, Stock, and Home in pleading for the farmer, is simply stating a basic national need when it says that without wheat we can not win the war. We might have taken another course, we might have allowed supply and demand to have taught the farmer the lesson of increased acreage. We chose not to take that course, we chose to set a fixed price on wheat, which fixed price is now below the line in prospective returns for the prices on all other other grains with which wheat is a direct field competitor. To insist on this price and at the same time to call for increased yields is to invite disaster. The price of the loaf based upon \$2.17 wheat is not excessive and if the \$2.17 price does not bring the acreage, the price of bread can not be maintained in any event.

IT'S UP TO CONGRESS.

We have already had a test of the effectiveness of the \$2 price in increased production. It has failed to bring up the acreage of the winter wheat crop and Farm, Stock, and Home feels assured by rather intimate knowledge of the situation in the spring wheat area that it will be unlikely to bring about adequate change from other grain farming to wheat farming throughout the Northwest.

The remedy for this unfortunate and possible disaster has been pointed out and is in the hands of Congress to apply.

Senator KENDRICK. Is it your opinion, Mr. Owen, that the farmers will be satisfied to have the price-fixing feature of the law removed, and have a central buying agency established for all export products, and to have all speculation in the way of future trading in grain prohibited, so that there would not be that tendency to drive the price arbitrarily upward without regard to the supply in the country?

Mr. OWEN. Yes, if that can be done, but there you are opening up something pretty big. Because, take the matter of wheat: Provided we were not in war and the market was following its regular course, there would be a tendency, would there not, without the future trading feature to buy that wheat in the fall just as cheap as it could be bought that is, the supply would temporarily exceed the demand, and the interests that were taking that wheat off the market would naturally hold off until that price went down and until they would feel they were safe from risk; and then after they got it away from the farmer they would probably do just what they do now, that is, if we are going to get away entirely from all control over the markets. Of course, as I say, that is something that would take longer to discuss than we have at our command at this time. Nevertheless, I think it would be perfectly satisfactory to the farmers and the producers generally to just back out of this price-fixing proposition entirely. We have got to back out of the price-fixing proposition some time, gentlemen.

Senator THOMPSON. Would you want to back out of it if we gave you \$2.75?

Mr. OWEN. Yes, sir.

The CHAIRMAN. And regulate the price of what the farmer buys?

Mr. OWEN. Yes.

The CHAIRMAN. I want to ask something else. This bill gave as much control over farm machinery as it did over wheat; in fact, it did not give any warrant in the law to fix the price of wheat before 1918, and no man in the House or Senate believed that it would be controlled, or, at least, nobody ever imagined they would fix such a price and arbitrarily require people to stick to it. Now, I want to read you a sentence showing the latitude and the scope of the bill. It is in the first section of this food control act.

(Mr. Thompson, the clerk of the committee, thereupon read as follows:)

to assure an adequate supply and equitable distribution, and to facilitate the movement of foods, feeds, fuel, including fuel oil and natural gas, and fertilizer and fertilizer ingredients, tools, utensils, implements, machinery, and equipment required or the actual production of foods, feeds, and fuel, hereafter in this act called necessities.

The CHAIRMAN. You will note that the first words are "to assure an adequate supply"?

Mr. OWEN. Yes; the intent is good, but it seems to me that they are missing the intent very sadly.

The CHAIRMAN. They have reduced prices to encourage production?

Mr. OWEN. Yes; and I have not seen any water running uphill yet.

Senator THOMPSON. There is no question about that.

Mr. OWEN. What we are up against is this: Whatever is to be done has got to be done quickly.

Senator THOMPSON. Will this fixing the price for the present do any good?

Mr. OWEN. Not very much; it will help a little, of course.

Here is another point I came pretty near forgetting on this acreage business. Senator Gore called my attention to it Tuesday. It is this, that down in the winter wheat country, where it is very evident that they are not going to get very much out of it, say, five or six bushels to the acre, the tendency is going to be at the present price to turn that under and put on another crop. While, if they had an

extra 50 cents a bushel there, they could afford to harvest and thrash it. That is something that really had not occurred to me, because I am not in touch with the winter wheat situation. We do not grow any winter wheat to amount to anything, but I think that is a factor that may, as the season advances and we find we are up against that condition quite generally throughout the winter wheat country—and I think we will be—because our December 1 condition in winter wheat was distinctly bad, and it is very seldom you can get very much of an improvement, and if by raising the price of wheat 50 cents a bushel we can save and prevent the abandonment of 1,000,000 acres or more, it is worth going after at this time.

What I would have liked to have done would be to have at least the moral support of some of you Senators to-morrow when I go before Mr. Hoover at 11 o'clock. If he could see you were in earnest, that you realized the seriousness of this situation, I think it would help a lot.

Senator KENYON. What are you going to try to get him to do?

Mr. OWEN. Try to get him to raise that price. He will probably give me his blessing, and tell me to go home. But I am going to use every tool in the blacksmith's shop, and my conscience will be clear at any time that present indications come to pass, but a little help from you gentlemen just at this time would be of great aid. If we do not get \$2.75, we may get something.

The CHAIRMAN. I will say that a delegation from my State—farmers from Oklahoma and Kansas and folks from other localities, including Idaho and North Dakota, went down and had a session with Mr. Hoover in which we urged the importance and even the necessity of making an increase. He bid us Godspeed and better fortune.

Mr. OWEN. There is always a time if you keep pounding away at something that one last crack will get results; and I am in hopes that may be our fortune.

The CHAIRMAN. By all means, put the responsibility on him and urge the price.

Mr. OWEN. If he wants me to go back to Minneapolis and tell our farmers that he could raise this price of wheat but did not want to, I suppose I will have to tell them that, but I do not want to have to tell them that.

The CHAIRMAN. Do you know what has been done in Canada with respect to price fixing?

Mr. OWEN. Are they not using the same system over there that they are in England?

The CHAIRMAN. I do not know. I wired their minister of agriculture and he wired me that nothing had been done with respect to the 1918 crop.

Mr. OWEN. They made the fixed price practically the same as we did. I think, however, if this war continues we will probably have to come to the English system; that is, guarantee a certain price loaf to the consumer, and go into the General Treasury to make up the difference between the price of wheat and the price of the loaf. I brought that up yesterday before the House committee, and Mr. Lever said that he was very much in favor of doing that.

The CHAIRMAN. That power is involved in this bill passed last summer, and the Senate committee changed the House bill so that

the Government could purchase wheat and sell it to the consumer at less than cost, if necessary to avert famine, on the theory that the Government or society ought to absorb the loss and not shift the loss back on the individual producer.

Mr. OWEN. I think that is the eventual way out of it if this war continues, and considering the developments of the last 24 hours and the fall of Odessa makes it certain the war will continue. Why is it we are developing an agricultural policy year after year, and in respect to every other policy we are adopting measures on the basis of a long war with a continuation of three to five years? What is the logic on that? I wish somebody would explain that to me.

Senator THOMPSON. I do not know whether we are or not.

Mr. OWEN. It seems so to me; I think everybody, almost, thinks so.

The CHAIRMAN. England guaranteed the profit on wheat up to 1922, I think.

Mr. OWEN. In looking over some of the public published evidence it would appear that a good many other of your witnesses feel our agricultural policy is from hand to mouth.

Senator THOMPSON. Do you mean to say we ought to set a fixed price several years in advance, not knowing what the outcome is going to be?

The CHAIRMAN. They are doing that in England.

Mr. OWEN. They are doing that in England, and we are figuring that way in financing our Army and Navy.

Senator THOMPSON. Subject, of course, to the war ending?

Mr. OWEN. Sure; but the railroads will stay under Government control for an undetermined number of months.

The CHAIRMAN. Twenty-one months, and to be guaranteed profits. You understand, Mr. Owen, we have guaranteed the railroads returns equal to their average net operating income for three years?

Mr. OWEN. Yes; we are guaranteeing the profits or permitting them to make a certain profit, and of course they will see they get it.

The CHAIRMAN. And we are guaranteeing cost, plus 10 per cent to such people as the shipbuilders.

Mr. OWEN. Yes.

The CHAIRMAN. And we have reduced the price of farmers' wheat below cost of production in a great many cases.

Mr. OWEN. And complying with the income tax will make the farmers keep books and that is going to be a fine thing for them, but I do not know where the producers are to come in, because when the farmer discovers how little money he is making he is going to start something.

The CHAIRMAN. The committee will now stand adjourned until 10.30 o'clock to-morrow morning.

(The committee, thereupon, at 10.25 o'clock p. m. adjourned to meet to-morrow, Friday, March 15, 1918, at 10.25 o'clock a. m.)

INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

FRIDAY, MARCH 15, 1918.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10.30 o'clock a. m., in the committee room, No. 326 Senate Office Building, Senator Thomas P. Gore, presiding.

Present: Senators Gore (chairman), Ransdell, Thompson, Kendrick, Gronna, and Kenyon.

The CHAIRMAN. The committee will come to order. Mr. Wallace, we will be glad to have you come to the stand. State your name and address and business, please.

**STATEMENT OF MR. HENRY C. WALLACE, EDITOR OF
WALLACE'S FARMER, AND SECRETARY OF THE CORN
BELT MEAT PRODUCERS ASSOCIATION, DES MOINES, IOWA.**

The CHAIRMAN. What is that association, Mr. Wallace, the Corn Belt Meat Producers Association?

Mr. WALLACE. That is an association composed of farmers and feeders in Iowa mostly. There are a few in other States. It is an association that has been in existence for about 14 years and has devoted its attention very largely to the economic problems that affect farmers and stock feeders. We have given a great deal of attention to the matter of railroad rates, for example.

Senator KENYON. It practically represents the farmers of Iowa and a few outside of Iowa, does it not?

Mr. WALLACE. Yes; I think it can be fairly stated it does.

The CHAIRMAN. Now, Mr. Wallace, you have been here in attendance; you see what we have to handle, and we will be glad to have you go ahead in your own way with the question.

Mr. WALLACE. I infer, gentlemen, from what I have heard here and what I have read in your public reports that you are thinking about two things mainly. First, to get the food that we must have for ourselves and our allies; and, second, to do justice, as far as you can, to the agricultural interests as well as other interests.

I have a lot of statistical matter and I have some letters, etc. I think you have about all that can be of use to you in that line. If you would like a few typical letters from men who have had experience in the stock business this winter, I can furnish them to you in any number you want. But those which I have heard introduced and which I have seen published are fairly typical of the situation. I think, perhaps, if I can be of any use to you it would be more in trying to assist you to understand the situation out in the corn belt. Iowa is in the heart of that corn belt and probably is the largest and

most fertile body of land in the world, and I think the situation there is typical of the situation throughout the Central West.

I have been on the farm and connected with farming since 1887. Never in all that time have I seen such a general discontent among the farming people of that part of the country as exists now. Some of that, of course, comes from causes that you people can not help, but some of it comes from causes that you can help. Let me give you just a few of the things that have promoted that discontent.

In the first place, we have had increasing difficulty in getting farm labor before the war began. I do not need to go into the cause for that. It has been much worse since the war began. The pull of the industries, the draft, the other conditions which have been mentioned here, have made that perfectly clear. Then there is a psychological effect on the farmer when his son goes to war that has a direct influence on production, much more so than in the case of the city men. The farmer's boy, for example, has been doing the heavy work for him—assuming that he is of advanced age. In very many cases he has been running the farm, practically. He goes away, and if the farmer continues to run the farm as he has been, he must bring some one else in. Now, that means to bring some one into the family to live with them. It is a hard thing to do. You gentlemen understand that as well as I do. You have got that effect which exercises a depressing influence and tends to give the farmer a sort of pessimistic view of things until he gets through that period.

Then he has been beset by everybody telling him his patriotic duty. He has been blamed by city people who do not understand, who feel the need of more production, in order that they may buy things cheaper. He has been bombarded with all sorts of advice, some of it emanating from here and some of it from centers in our own State; and you know what effect that would have on you under those conditions.

Then the price-fixing bill—we call it the “price-fixing” bill. You call it the “Food Administration” bill. It was said in the most emphatic way that there was no price fixing in that bill. The farmers found it full of price fixing.

The CHAIRMAN. They found what?

Mr. WALLACE. The farmer has found it full of price fixing. It is just like the traveling man's overcoat that isn't itemized in the bill of expenses, but it is there just the same. Then after the bill was passed there were assurances—public statements from time to time that there was no authority for price fixing, no intention of price fixing, and yet mostly by indirection, the farmer finds that the prices of his things are being influenced right along. Take the price of wheat, for example. The Food Administration, or the President, fixed that at \$2.20 for last year, the basic price. I think the farmer of the West accepted that in good grace, although it was considerably lower than their wheat had been selling for. But here is the thing that ground on their nerves; they were told constantly that that price had been fixed to help them. Now they knew better than that. They were told of the great supplies that were stored up in other countries which might be let loose by the coming of peace or by the increase in shipping necessary to move it; and they were told that if that came, the price of wheat might have gone down in this country to 75 cents a bushel. Now the farmer knew very well that if there

had been any hope whatsoever of getting those supplies, the price of wheat would not have been fixed at \$2.20. And while he accepted it in good faith and in good spirit, with the exception of some poor fellows in the one-crop country alone who had hard luck—while generally he accepted the fixing of that price, he resented the effort to convince him that it was for his good. That brought about a bad state of mind in many sections of the West.

You have been told here about the losses on live stock. I do not need to go into that. I think you have had enough of those individual statements as to losses actually suffered.

The CHAIRMAN. Now, Mr. Wallace, if your investigations confirm the statement that the farmers are taking a loss on cattle, hogs, etc., you might make that general statement.

Mr. WALLACE. I do make that general statement. What you have been told here is typical of the situation. Of course you have been given some extreme losses, but speaking generally—and I think I can show that in another way—speaking generally the farmer has lost very, very heavily on sheep. In the testimony that has been introduced here mention has been made of so much a head on sheep. I am sorry it was not expressed in percentages, because when you say \$1 or \$2 a head on sheep many men think that is a trifling loss. It is a tremendous loss. They have lost almost as heavily on cattle which have been fed, and they have lost on hogs, notwithstanding repeated statements that hog prices have been fairly remunerative. The loss on hogs is not nearly as great relatively, however, as the loss on cattle and sheep.

And here was another thing that happened which I do not know that anybody was to blame for, except, perhaps, some volunteers who undertook to interpret the action of the Food Administration. There was a misunderstanding on the part of a great many as to the price of hogs that was fixed by the Food Administration. There were two actions taken on that. One was to the effect that the Food Administration so far as it could would adjust the price of hogs to the price of corn. But that applies to the corn crop which will be marketed this fall and winter. Now, the other action was that so far as they could they would not permit the price of the packers on hogs to go below \$15.50. People confused those two actions. A great many assumed that the ratio of 13 to 1 applied to the hogs which were being marketed this winter.

The CHAIRMAN. The winter just closed?

Mr. WALLACE. Yes. It did not apply to that at all. The statement of the Food Administration on that matter was perfectly clear. The statement issued by Mr. Cotton is the most clear-cut statement that has ever come out of the Food Administration on agricultural matters, so far as I have seen. It is obscure only in one point. But notwithstanding that, there was that misunderstanding. I am not blaming anybody for that except some of the overenthusiastic gentlemen who wanted to turn in and help get food to win the war.

Then the meatless days discouraged the producer. It does not matter now whether the meatless days saved meat or not. The effect on the mind of the producer was that while being urged to increase his production the consumption of the food was being reduced; and whether it acted that way or not, the meat producer began gradually to adjust his policy to that situation.

The CHAIRMAN. The uncertainty of the extent to which it might reduce consumption was what influenced him?

Mr. WALLACE. Yes; that is the point I meant to make. Then, you have later in the winter an embargo of live-stock shipments. I wish it were possible to learn the amount of loss that has been suffered by the farmers of the corn belt because of the breaking down of our transportation system and the embargoes put on them. It would run into millions and millions of dollars. I had reports during February of men who had held cattle and hogs for two months after they had been finished for market. In some cases the hogs began to go down in the back, break down because they were over fat. I remember of one case in which one man who was feeding eight carloads of cattle thought he had cars arranged to ship them. The agent told him so, and he drove his cattle in 5 miles. The cars did not come that day. They did not come the next day nor the next day, and he held those cattle there for 10 days and finally drove them back to the farm. He said the shrinkage in that 10 days alone was 150 pounds, and he still had the cattle on hand the last I knew of him.

Senator THOMPSON. Did he take that up with the Director General of Railroads, do you know?

Mr. WALLACE. No; I don't know.

The CHAIRMAN. You mean 150 pounds per head?

Mr. WALLACE. Yes. Now figure that at even 10 cents a pound—cattle probably sold for 12—and you can see what he lost just from that one experience, as he still had the cattle and was compelled to go on feeding them at a great waste of grain.

Senator THOMPSON. I know of a similar situation in my State of a gentleman who appealed to me, and he got cars in 24 hours after the situation was made plain in Washington.

Mr. WALLACE. Now, let me illustrate how that works, Senator. I will give you one particular case that came to me from a railroad man. I took it up with the railroad men there with the car distributors for our district. He said, "Let me tell you a thing that happened day before yesterday. So and so," naming a gentleman who was connected with the Government—I don't care to state whether State or Federal—"reported that his father," or father-in-law, I have forgotten which, "needed eight cars, and he called me up to see what we could do. We had demands for 5,000 cars at that time, and I told him that his order would be filled in the order in which it came in the list. Two days after that eight cars set for that man, and they were taken from another point where they had been set for other shippers."

Senator KENYON. And influence did it?

Mr. WALLACE. Certainly, it was influence that did it. Now when you tell me that you have been able to secure cars, and others have told me that, among them the Congressman from our district—one last night told me; not from my district, but from my State—told me how he had been able to get action that is helpful for that particular man, but it is not addressed to the general situation at all; and that in itself, don't you see, intensifies the discontent.

The CHAIRMAN. That is liable to hurt the general situation, isn't it?

Mr. WALLACE. Yes; if it intensifies the general discontent.

Senator KENYON. There ought not to be any such influence.

Mr. WALLACE. No; and men are beginning to ask themselves the question, "Under Government ownership are we to have things of that sort, discriminations which we thought we had done away with?"

The CHAIRMAN. You tell them yes, from me.

Senator THOMPSON. I don't think so.

The CHAIRMAN. Now, Senator, did you intervene and get those cars?

Senator THOMPSON. I simply asked—explained the situation, and they were sent.

The CHAIRMAN. Probably they would not have been sent if you had not asked for them.

Senator THOMPSON. No; it was merely the knowledge of the exact situation brought to the attention of the Director General.

The CHAIRMAN. Had your man tried to get them before he appealed to you?

Senator THOMPSON. He had, through the local authorities.

The CHAIRMAN. And he could not get them?

Senator THOMPSON. He was in the same situation as this man, because the director general, who was directing the cars, had not the true situation before him. That is the trouble nine times out of ten.

The CHAIRMAN. I think you have instanced a very striking evidence of what would happen under Government ownership.

Senator GRONNA. Supposing Senator Thompson had been a farmer out in Kansas, do you suppose that his farmer friend would have been taken care of?

Senator THOMPSON. I have no doubt the man could have gotten cars if the truth of the situation had been detailed to those who had the authority to send them.

Mr. WALLACE. But it takes a Senator to present that truth. [Laughter.]

Senator THOMPSON. You might appeal to the local agent, who might not have the cars on the siding, and, of course, that would not cure the situation.

Mr. WALLACE. Let me give you just two or three concrete illustrations. This is a letter from Malcolm, Iowa, written by the president of the Malcolm Savings Bank at Malcolm, Iowa, on the Rock Island road, under date of February 7:

I have been trying to hold my patience for the last four weeks. Have received but very few stock cars at our station for the last month. There are from 50 to 100 cars ordered at every station on the main line of the Rock Island from Davenport to Council Bluffs. This information is from the chief dispatcher at Des Moines.

The situation is very serious here. The farmers have hogs they have held for 90 days. Shippers would not buy them for the reason they had no assurance of getting cars. These big hogs are being fed at a big loss to the feeder.

I think this is the situation at all stations on the Rock Island as near as I can find out. The cattle situation is practically the same. Cattle that should have gone to market 90 days ago are still in the yards. A great many farmers and feeders have fed all their corn. Feed is getting scarce and the banks are not in a position to furnish money to buy the feed necessary to carry them longer.

The 1st of March is coming and there will be a great many obligations to meet. Everyone has been asked to buy liberty bonds, contribute to the Army Y. M. C. A. and Red Cross, and they are expecting to meet these with money from their stock.

The officers of our bank gave their personal notes for \$60,000 which was loaned to the farmers to buy liberty bonds. These notes had to be renewed for the reason farmers could not get their stock to the market. This looks to me like a case of "biting the hand that's feeding you."

Here is another one from Earlham, Iowa, on the Rock Island, west of Des Moines. This is dated February 5, 1918:

We are having an awful time to get stock cars here. We had a few cars the 4th of January, 1918, and have not had any since. Fifty-five cars are ordered here and none are in sight yet.

The people here are awful short of water, and I myself have been hauling water from town for 150 cattle. A part of the cattle have been ready for market since January 1, 1918. And a great many of my neighbors are in the same trouble.

Here is another one from Atlantic, Iowa, about 100 miles west of Des Moines, on the Rock Island. This is from the president of the Atlantic National Bank, dated February 7, 1918:

From reliable sources of information I learn that orders for 200 cars to be used in the shipment of live stock alone are now on file in the Atlantic office of the C., R. I. & P. Ry., and in the offices of branch lines radiating from Atlantic.

Practically the same condition has prevailed here for the past 60 days, and no relief in sight at present. The absence of these cars is having the effect of holding the stock on the farms after full production has been obtained. Much grain is stored in elevators and farmers are unable to make delivery of their products.

I can give you any number of letters confirming that situation.

Senator THOMPSON. Of course you could do that when the railroads were in private ownership and control.

Mr. WALLACE. So far as my experience has gone we have never had a situation like we had this winter; never.

Senator THOMPSON. Both before and since the roads were taken over. You don't have any idea but what the Government wants to run these roads in the interest of the public, do you?

Mr. WALLACE. Certainly not. I don't know that you understand why I brought this in. I am giving this as one of the reasons for the unrest and discontent and complaint. It is one of the things. I am not blaming the Government wholly for it.

Senator THOMPSON. I thought from what you stated it was some objection to the Government control of the roads. I have faith that they can control them in the interest of the public better than the individual who is looking after his pocketbook.

Mr. WALLACE. Let me tell you what is running in the farmer's mind. We had an illustration since Government control of an embargo put on shipments of various sorts. For example, a few weeks ago the order came out that all motive power should immediately be put on moving grain. I get this from a responsible railroad man who told me that when that order was received it was mandatory, and that they left several trainloads of stock within six hours of the Chicago market and took the motive power to move grain, and held the stock there for a day in order to comply with that order. A lot of those things, of course, would be ironed out, but don't you see what is in the mind of the man? If the Government can put an embargo on any sort of freight for any length of time, what is to prevent them from holding live stock that had been ready to market for a month or two months back in the country, damming it up back there to serve some purpose that the farmer doesn't know anything about? The farmer sees that those things might be done,

The CHAIRMAN. In the first place the farmer hesitates to buy under those circumstances, and if he buys, he discounts that probable loss.

Mr. WALLACE. The buyer has to go out of business.

The CHAIRMAN. Unless the farmer takes a loss.

Senator GRONNA. I did not understand that Mr. Wallace was trying to criticize, but that he was simply portraying the situation.

Mr. WALLACE. Yes; I am simply trying to make you see things through the eyes of the farmers out there, and I am speaking of these various things which have brought about his discouragement.

Senator KENDRICK. Has the railway situation improved any?

Mr. WALLACE. I think it is improving, yes; and possibly a little later our stuff will be moved promptly.

Senator THOMPSON. But you must bear in mind, the whole transportation system of the country was broken down. That is the reason they took those engines.

Mr. WALLACE. Yes; I understand that. I indorsed the taking over of the railroads as it was.

Senator GRONNA. We should not forget that the coal shipments are somewhat letting up now. The Almighty is giving us the warm rays of the sun, and I don't know who is to be given credit for that, whether Mr. Thompson is going to attribute that to the new organization or the new régime, or whatever you might call it.

Senator THOMPSON. That might have some influence over it. [Laughter.]

Senator GRONNA. But since you have gone into this, if you will permit me, Mr. Wallace, I want to state that I took a similar matter up with the—what do you call it?

Senator THOMPSON. With the Director General.

Senator GRONNA. No; I took it to some board. I had a letter written to me by the secretary of the Minot Commercial Club, a gentleman whom I know very well. He used to be a newspaper man, and is a very able fellow, and he presented a very gloomy picture, showing that the railroad situation was not getting any better, and they could not get cars to ship in grain from other States. They need seed grain, they need grain for feed, and I sent that letter to the board, and I would almost feel humiliated to present the reply I received in reply to my letter and in reply to that of Mr. Holbein; and I do not think that any man who knows anything about railroad business or who cares for his reputation as a business man or a railroad man would say that anything extraordinary has been done by this new administration, this railroad administration. I do not think we ought to go on record here as a committee to that effect—at any rate it is not unanimous, so far as I am concerned.

Mr. WALLACE. You understand, gentlemen, that in speaking of these things I am not trying to discuss the merits or demerits of Government control of railroads or anything else. I am trying to give you what is in the farmer's mind.

Now here is a letter that I have received since I came here. It was forwarded from my office. You will see by the way it is written that it is from a farmer who has not the facilities for carrying on business correspondence very well, but he is representative of the fellow on the average farm. Let me quote just a word or two:

I see in the Register that you are to appear before the Agricultural Committee in Congress next Monday. I wish that the farmers might help you in some way. The farmers think that they are hardly getting a square deal. For instance, they were told to make their hogs heavy; that all the fat would be needed. Now after feeding their high-priced corn to their pigs last summer and a large share of this year's crop this winter, the hogs are ready for market and must go soon, the price is reduced 20 cents on the hundred for overweight.

I want to speak of that in a minute.

Now we are asked to be patriotic and pay \$2.50 per bushel, \$3.75 per acre for seed, and sow part of our land to spring wheat to sell at \$2 or less on the local market if it is of inferior grade, when cash corn is selling on the Chicago market for \$1.82; barley, \$1.70 to \$2.25; oats, 93 cents.

It seems that any of these less risky crops are almost certain to yield more money to the acre than the wheat, and some of them almost twice as much. It would appear that if increased production of wheat is the thing most desired, that the minimum price ought to be placed at \$2.50.

I do not introduce that to try to have any influence on the price of wheat, but to show you what has happened; that in his effort to save himself the average farmer is going to do things that will have a tremendously bad effect on our entire agriculture after a while. He knows he is being hurt. He does not understand all the economic forces at work, and he is liable to upset his accustomed way of farming and try to save himself in that condition; and the effort to fix the price of one grain without considering the effect on not only the prices of our other grains but on agriculture as a whole is going to be tremendously serious to us as a nation.

You have had a lot of information here on this matter of losses of live stock. Those are simply isolated cases, typical of what is going on, but it seems to me they do not enable you to get at the foundation of our trouble. Dr. Warren in his testimony here gave you some exceedingly valuable information, and I want to emphasize that in another way as showing how prices of agricultural products are influenced, how production of agricultural products is influenced by the general run of prices, and I have tried to put it here in graphic form, if you can see this chart [indicating chart showing fluctuation in prices of hogs from 1858 to 1917].

Here it shows the farmers' profit and loss on hogs since 1858. Now I say profits and losses—that is a relative term. This horizontal line through here represents the average price measured in corn that the farmer has got for his hogs during that period. That is the price which has maintained our production. I do not say that that is the single price that must be profitable, but it is the price that has maintained hog production for 60 years in this country. Now compared with that average price in this period beginning about July, 1860, and continuing until about March, 1862, the farmer was getting more for his hogs, measured in bushels of corn, than that average price. The war broke out in the midst of that period, and what happened? Exactly the thing that has happened this year when the war broke out here. There at once developed a greater demand for grain than there was for meat and the price of hogs declined relative to the price of corn until the farmer was losing over \$4 per hundred weight, measured in bushels of corn.

Senator GRONNA. The lines below represent losses?

Mr. WALLACE. Yes; these represent losses. These above represent profit, compared with the average all the time, and measured in bushels of corn, not in dollars and cents. Now note what happened in 1865. The farmer got even for that severe loss period just before. In April, 1866, he got for his hogs the equivalent of 24.8 bushels of corn. That is a year and a half after the war.

The CHAIRMAN. The losses made him cut down production, did they not?

Mr. WALLACE. The loss at once reduced production. The demand overtook the production, and the price responded to it, as it always does, until at that period he was getting the value of 24.8 bushels of corn. Now, you have got those ups and downs all through this period. Here is one other point: In 1870, the winter of 1870-71—

Senator GRONNA (interposing). Before you get to that, will you kindly tell us what time, or what year it was, that the next depression came, after 1865?

Mr. WALLACE. Again in January, 1867. The prices dropped there until the farmer was losing \$5 a hundred at the most extreme point. That depression continued for two years and resulted in decreased production. Then you get a swing back in 1869, and the extreme swing in the winter of 1870 and 1871, where the farmer was getting the value of 25 bushels of corn for 100 pounds of hog. Now, you can follow these right along. I simply want you to note what happened when war broke out in 1914. It was exactly what happened when the Civil War broke out. People were willing to pay higher prices for grains than they were for meats, relatively, and the farmer simply gave them grain instead of the meat. He stopped feeding grain to hogs so much and sold it to them as grain. Since 1914 we have almost constantly an extreme loss area in the production of hogs. This map is not brought up to date, but until January of this year that loss area reached the most extreme point in all our history.

Senator GRONNA. So there has really been no profit in feeding hogs since the beginning of the war, or a little later? I mean, measured in bushels of corn?

Mr. WALLACE. When you say that, you must remember we are speaking of the country as a whole. Now here is what happened—and it seems to me it is a thing that is being overlooked not only by our Food Administration but by everybody else in fixing prices. The fact is that during this loss period everybody will quit growing hogs. There are a few favored producers who will go ahead. You have got a certain number of hogs that will be carried as scavengers; you have got a certain number of hogs in certain districts that only require 6 or 7 or 8 or 9 or 10 bushels of corn to 100 pounds of hog. Those fellows will stay in business. They will keep on going, but the marginal producer, the man who can not produce at a price equal to the average price, stops. He goes out of business. He has to. So it is with the coal miner.

The CHAIRMAN. And with the wheat raiser.

Mr. WALLACE. With everything. It is a fundamental law that underlies the whole thing. People have been talking about repealing the law of supply and demand. I heard some one here in one of these hearings say "Do you think that works in war?" Of course it would. It works a good deal harder under war conditions. You might just as well talk of repealing the law of gravitation because our airplanes are defying it as to talk of repealing the law of supply and demand.

The CHAIRMAN. I think, Mr. Wallace, that a man who undertook to repeal the law of supply and demand by act of Congress would with just as much alacrity vote to repeal the law of gravity. [Laughter].

Senator GRONNA. But supposing we make laws setting a price on certain products. Doesn't that to a certain extent interfere with the law of supply and demand?

Mr. WALLACE. Unquestionably; and that policy has been justified on the theory that in war you have got to upset these natural laws. It won't work. It will be fatal to us.

Senator KENDRICK. You think that is about the worst thing we could do for the winning of the war?

Mr. WALLACE. I can't think of anything that would be more serious than that. If we go on we are going to have a world famine. I don't mean in this country we are all going to starve to death, but we are going to be short of food.

The CHAIRMAN. Now hasn't that same lesson that you have just recited been taught in every age and in every country that has ever attempted this thing?

Mr. WALLACE. You can find experiences of price fixing from 2,000 years before Christ down to the present time. The Chinese had the most sensible system. It broke down.

The CHAIRMAN. It has been but one tale, hasn't it?

Mr. WALLACE. Just one experience after another. The Emperor Diocletian in Rome undertook to fix prices. He got down to even fixing the prices on knitting needles and little trinkets of all sorts. He fixed the price of labor on everything. The whole thing brought down. Justinian tried it 60 years afterwards with the same experience. It always breaks down. The fixing of prices in dollars and cents. The only proper justification for fixing prices, in war time especially, is to control a price that will be stimulative for the purpose of increasing what you are short of. That is the only possible justification for it.

The CHAIRMAN. And in that case you put it a little higher than the laws of supply and demand would warrant?

Mr. WALLACE. You must. The Food Administration undertook to apply that principle in the matter of fixing false prices, and it was a sensible application of it. Their figures were taken from these figures which we have been accumulating for three years on that subject.

Senator KENYON. Was that your idea or the idea of your association, the fixing of hog prices relative to the price of corn?

Mr. WALLACE. We urged that if there was to be price fixing at all, that it should be fixed on that basis. The Food Administration announced that it would, so far as it could, this fall, see that the farmer got the value of 13 bushels of corn for 100 pounds of hog. Now that represents the value of about a bushel and a half of corn more than the average that he has gotten for the past 60 years. It doesn't represent what hogs would have gone to, the price the farmer would have gotten for his hogs if hands had been kept off. Whether it could result in stimulating production depends altogether upon whether the price of corn is going to be interfered with. The first effect of it was the farmer said, "That's all right; we will produce; we will increase; we will breed more sows." They put on a campaign to bring that about. Those sows have been sent to market in large numbers in the last two months, simply because there has been a growing distrust on the whole policy of the Food Administration. When I say that, I am not criticizing Mr. Hoover. I don't think anyone appreciates his difficulties any more than I do. I am criticizing his judgment in undertaking to interfere with these laws which can not be interfered with by man.

Senator KENYON. There is some talk now of a minimum price being fixed for corn. What do you think about that?

Mr. WALLACE. I think all the evidence shows that the price of corn is being interfered with. The farmers are feeling that situation. You can't fool the farmer on these things. When you say that hogs shall bring 13.3 bushels of corn, or 13 bushels of corn, he says that is fair enough. But when you go to fixing the price of his corn, why you lose all of the argument you had in urging him to increase his production of hogs. Note what this man said in the letter I quoted from a moment ago as to the discrimination against heavy hogs. Now here is what happened: Mr. Hoover said—and everybody said here: "The one thing we need most now is fats, pork. We must have more fats. Our allies must have it." "Well," we said, "there is one way to get that for the immediate future. You can not increase now the number of hogs that are going to go to market in the next six months. They are born; they are living, and they are short in number, so there is just one way to get an extra amount of flesh, and that is to make those hogs heavier; make each hog carry to market 15 or 20 pounds or 50 pounds more pork than he would carry under normal conditions."

Senator KENYON. Mr. Wallace, there will be a shortage then in the number of hogs this year as compared with last?

Mr. WALLACE. I am not prepared to say that. I am talking now of the hogs which are being marketed now. We said to him last fall, "You can not increase the number of hogs that will go to market before next July. If you need more pork than they promise to furnish, the way to get it is to feed them to heavier weights than it has paid to feed them in the past." The people were encouraged to do that. What happened? Heavy hogs are being discriminated against in Chicago. They are selling, as this man says, at 20 cents per hundred pounds less than lighter hogs. Now that seems a suicidal policy.

The CHAIRMAN. I wonder, Mr. Wallace, if you have available any bulletins or statements of the Food Administration encouraging the heavy feeding of hogs.

Mr. WALLACE. I do not think I have that here, but I will send you something on that.

Senator KENYON. Is there any connection between the Food Administration and that discrimination at Chicago?

Mr. WALLACE. I do not know. I should think not; only in this way, that the packer is being allowed to have his will with the hog market.

Senator KENYON. You think the packer is controlling the hog market?

Mr. WALLACE. He certainly is controlling the price from day to day. He may not be controlling the general trend, but he certainly is controlling the price from day to day.

Senator RANDELL. Mr. Wallace, you have discussed several things which you concede to be bad management, or bad judgment on the part of the Food Administration, and the laws Congress has passed to try to help out this troublesome situation. Do you intend to discuss measures of relief, or suggest anything that we could do to help this situation? I do not want to interfere with the order of your discourse, and I do not ask you to do that now if you intend to do it later.

Mr. WALLACE. I will try to do so.

Senator RANSDELL. The very important thing, it seems, for us to do is to correct that evil. A great many have testified that the evil exists, but very few have told us what ought to be done to correct it.

Mr. WALLACE. Well, I will get at that whenever you say.

Senator RANSDELL. I do not want to interfere with the order of your discourse. I would rather you would go ahead in your own way, if you are going to reach that.

Mr. WALLACE. Yes; I am going to take that up.

Senator KENYON. We will put that same question to you the same as we did to Mr. Burke last night, if we could make you food administrator, what would you do?

Senator RANSDELL. Or if we ought not to have a food administrator at all, let that appear. Perhaps we made a mistake in appointing one.

Mr. WALLACE. I will not agree to answer satisfactorily to everybody, even to myself, but I will undertake to answer it; otherwise I would not come here.

The only thing I want to say about that is that you must get away from a lot of these detailed instances and fix your thought on the general law that controls this production, otherwise we can get no relief. We can give you thousands upon thousands of detailed statements of losses and complaints of one sort or another, but they are of value only as showing the situation existing. They are not of value as helping us to reach a remedy. You have got to go to the fundamental laws if you are going to do that.

While you are speaking of the Food Administration, I want to give you one illustration of what happened here. It was said repeatedly that prices were not going to be fixed, but would be stabilized; that was especially true of hog prices. Now, farmers have been complaining bitterly of the violent fluctuations from day to day on prices of live stock of all kinds. That complaint is a complaint of 30 years standing. They say the packer controls the price; that he puts it up or down from day to day. They say if hogs are worth \$10 to-day they ought to be worth more than \$8.50 to-morrow, yet sometimes you have got a fluctuation of that sort. Now, we had reason to expect that when the packers were taken over by the Government there would be an elimination of those violent fluctuations.

Senator THOMPSON. They have not been taken over yet, have they?

Mr. WALLACE. Well, they are being controlled. That is what I mean. I have here a very roughly drawn chart in which I have shown the fluctuations from day to day on the price of hogs at the Chicago market.

This dotted line at the bottom shows the fluctuations in the year 1912. Hogs started that year at \$6.26, December 1. They closed March 1 at \$6.44, or just slightly more.

Senator THOMPSON. What year is that?

Mr. WALLACE. 1912. Each one of these spaces represents 5 cents in value. Now you notice there are no violent fluctuations there. Here is a difference in four days of 40 cents. That is the most violent fluctuation in all that period—the three months period of December, January, and February. You see that is a fairly decent line of prices.

Senator GRONNA. A very steady market.

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

... ..

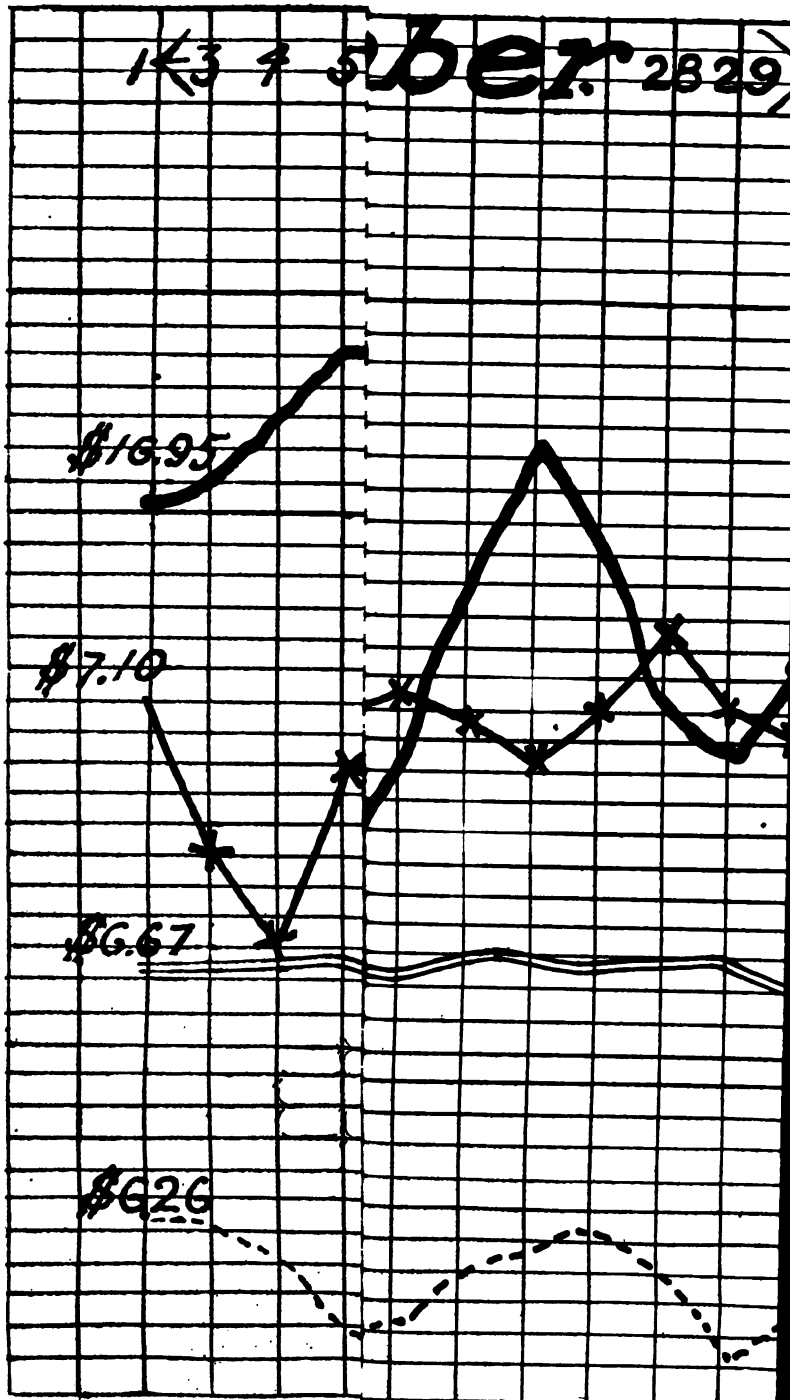
... ..

... ..

... ..

... ..

13 4 5ber 2829



2529. Now this double line shows the average fluctuations period, on an average of 10 years previous to the war. December 1 at \$6.67. They closed at \$7.24, a gradually as would be reasonably expected. This line shows the the year 1915, beginning December 1. Now that was European war broke out, and you know everything more or less. People did not know just what to do, ing to happen. We had quite violent fluctuations in ch more violent than in the 10-year average or in 1912. ing in December the Food Administration proposed to prices on hogs. Here is what they told us, "We must eat. There is a tremendous shortage in hogs, and we te the breeding of sows. We are going to stabilize addition we will try not to permit the price of the es to go below \$15.50." Now look what happened. shows the fluctuations under stabilized prices. Never v, so far as we have figured, have we had such violent as under stabilized prices.

RONNA. What is the greatest difference between the d minimum there, Mr. Wallace?

ACE. Well, we have had a drop here—there is a differ- in two days.

ANSDELL. Won't you state briefly what those fluctuations unately we will not have your chart in the record. iefly so the record will show.

ENYON. Would it be possible to have this chart in the

MAN. Yes. We will put it in the record.

t referred to is appended herewith.)

LACE. On December 1 the price of hogs was \$16.96. December 1, 1917. There was a gradual increase from e 6th of December, with an increase of 25 cents during

Then there was a drop of 15 cents in the next two t there was a gradual increase again to December 12. ad a drop within a week of \$1.65.

ENYON. What did that?

LACE. I am not going to try to explain these fluctuations.

ANSDELL. You said it was the result of stabilizing prices.

MAN. They would not stay fixed?

LACE. Now if we had a shortage, a world shortage of ember 1, and one of the greatest efforts of this country ish our allies with the fats that they needed, that shortage December 15, after a drop, when we had a drop of \$1.65, eh as it did on December 1. The shortage had not been he marketing of those three days. It existed here on 25 when you had an increase. It existed here on January ou had the most extreme drop in price.

AIRMAN. How much was that?

ALLACE. Well, it was not the most extreme fluctuation, dropped then from \$16.96 on the 1st of December to \$14, ately, on January 26. Then you have a rise to February ost \$2 a hundred. You have a drop between February bruary 11 of approximately \$1.30. You have an increase ary 25, when they reached the highest point of this period.

Then there is a down hill drop in three days there of almost a dollar a hundred.

Now what possible excuse is there for such a variation as that when we have a world shortage?

Senator THOMPSON. That average line of 10 years—what 10 years was that? Prior to when was it?

Mr. WALLACE. The 10-year average—well, I presume it is for the 10 years preceding this last one. I do not have it noted.

Senator THOMPSON. Before the war?

Mr. WALLACE. Yes; before the war.

Senator KENYON. You think this stabilization of prices did that, this attempt to stabilize prices?

Mr. WALLACE. Of course some will say we had these transportation difficulties. That is one explanation for it. Some will say we had an unusually severe winter, which caused it. There isn't any explanation that is satisfactory for that.

The CHAIRMAN. The thing about it is that if stabilization did not produce it, it at least did not prevent it?

Mr. WALLACE. No, sir. Their figures show that they were fairly successful in stabilizing receipts, equalizing receipts, but they show that they were unsuccessful in stabilizing prices.

The CHAIRMAN. Now equalizing receipts ordinarily would have a tendency within itself to stabilize prices, would it not?

Mr. WALLACE. One would think so. That would have been the hope.

The CHAIRMAN. Now let me ask you a question there. It is rather a lengthy one. Is it possible to stabilize prices without stabilizing the factors of cost that go to make up that price, and that must be included and reimbursed from that price? In other words, can you stabilize the price of hogs without stabilizing the rent of land, the rate of interest, the wages of labor, the price of corn, and the other things that go to make up the total cost of the hog? Now, then, in addition to that, to show the ramifications of it, can you stabilize the wages of labor unless you can stabilize board, unless you can stabilize lodging, unless you can stabilize clothing, every article that a laborer must use? Or is the ramification of that process infinite, and isn't that what makes it an impossible feature?

Mr. WALLACE. Unquestionably, Senator, taking stabilization as you have it in mind. Of course in this particular matter I was referring to the daily and weekly prices of live stock. That is what they meant by stabilizing there.

The CHAIRMAN. I understand. They meant to give it a general stability, as compared with previous periods of fluctuation.

Senator RANDELL. Could you say what would have happened to the price of the hogs if it had not been for that stabilizing process, Do you think the past is a fair criterion for what probably would have happened at that time if we had not had the stabilizing?

Mr. WALLACE. Let me show you what happened last year. I ought to have called your attention to that other chart.

The CHAIRMAN. If you dispense with stabilization, the only basis for judgment is the range of fluctuation before.

Senator RANDELL. That is what I am asking. He did not draw that conclusion there, and I wanted to bring it out.

Mr. WALLACE. Let me show you this. A year ago we did not have this great effort to increase our hog production. We were not told that we would have this tremendous shortage at all. What happened in prices then? Hogs started—I did not have room on the chart to start back to December 1st, but on January 1st hogs were selling at \$10.15.

Senator RANDELL. You mean on January 1, 1917?

Mr. WALLACE. Yes. Note what happened to the hog market. Up to February 5 they had reached \$12.15 with very little fluctuation. There was a steady increase up until February 15, when I ran off the top of the map. Now I remember at that time there was not any great cry for increased production. There was no great story of world shortage at all.

Senator RANDELL. You see no reason why similar conditions would not have existed in the hog market this season if it had not been for this stabilizing? Is that your idea?

Mr. WALLACE. I have no doubt that hogs would have been higher in price, and there would have been a gradual increase.

The CHAIRMAN. The increase from January 1 to the middle of February, 1917, you say was a gradual increase in the ordinary course of events, during that period?

Mr. WALLACE. Yes, sir. That average line shows that.

Senator Gore referred to the necessity of stabilizing, as he put it, prices of other things which enter into the cost. Unquestionably that must be done. I understand that in England recently they are undertaking to express workmen's wages in terms of bread, food-stuffs. In other words, the dollar no longer measures value. The dollar no longer measures the cost of production. It has got to be expressed as in the case of this Food Administration—the attempt of the Food Administration to express the price of hogs in terms of cost of production. Now there has been sort of an intellectual assent to the soundness of that principle.

The CHAIRMAN. I did not catch that, Mr. Wallace.

Mr. WALLACE. I was referring to your statement relating to the cost of things which enter into the production, that there must be a relation between the cost of production and the price, expressed not in dollars but in terms of production. For example, in producing a crop there are so many hours of man labor, so many hours of horse labor, so many hours of interest, and the other things that enter into the cost of producing the crop. Now, you can not measure that in dollars. Take the case of wheat. When you had before Congress the matter of fixing the price of wheat last year I wrote to Senator Kenyon and Senator Cummins and some other gentlemen, that I thought the minimum price of \$2 was altogether too high; that the possible result would be to greatly stimulate production of winter wheat in the corn belt, piling up a surplus, which would be used to keep down the market, and the poor fellows in the wheat country, the one-crop country, would have that surplus hanging over them as a sledge hammer. That is the way it looked to me at that time. As a matter of fact, three months after you adopted that price, \$2 is not a sufficiently high price for producing wheat. It shows the folly of trying to fix prices in terms of dollars. Now, you can throw on to the farmer far more than his share of the cost of carrying on this war

if it is going to last one year. You can do that and get away with it and the farmer can not help himself. If the war should last two years or three years you will go hungry. You might just as well adopt the same policy in producing munitions, in providing clothing for the soldiers. You might just as well go on the theory that the war will last one year, and provide only enough ammunition to last one year, or enough shoes to last one year, as to go on that theory in the production of food.

I think you have in the experience of the Chicago milk dealers—not the milk dealers, but the producers who furnished the milk to Chicago, and the effort to meet their complaint—an illustration of the danger of taking liberties with this law of supply and demand. Last fall the prices of milk, after continuing low for two or three years, got to a point, measured in cost of production, that the farmer began to go out of business there. They had a milk strike. It caused great concern among the people there, and representatives of the farmers and of the dealers and of the Food Administration got together to see what could be done. They entered into an agreement in November which included this:

The Federal Government shall investigate the cost of producing milk in the dairy district serving Chicago and other municipalities of the Chicago dairy district, and name a price at which milk may be sold by producers in said district, which price shall cover the cost of production and a reasonable profit therefor.

Now, that commission was appointed. It was composed mostly of people in the cities. There were three, I think, possibly four, representatives of the producers on it. They adopted a sound policy of ascertaining the cost of milk; that is, they said 100 pounds of milk requires so much corn, hay, silage, mill feed; etc., a perfectly sound way of getting at it. But the majority of that commission set out to determine some way by which milk should be sold in Chicago for 12 cents a quart, and to bring about that result they simply juggled with the values which they had adopted. The result was that those 18,000 men who produced milk for Chicago were thoroughly discouraged. They were convinced that the effort to find that price at 12 cents was a dishonest effort, and unless something is done—I don't know whether it has been finally settled yet or not—unless something is done, Chicago people are going to be very seriously in need of milk before the winter is over. The farmer can not help himself. He can not control prices of all those other things, and he must have for his milk enough to cover him.

Senator RANDELL. Why did this commission desire to juggle those figures? I don't quite get that clear.

Mr. WALLACE. Well, the people in Chicago, Senator, thought that milk ought to sell for 12 cents a quart retail. The majority of the commission was composed of men who favored that view. Now, I have got here in detail a criticism of that

Senator RANDELL. They were Chicago milk consumers, rather than representatives of the milk producers? Is that the idea?

Mr. WALLACE. Yes; there were some representatives of the producers. Prof. Davenport, of the University of Illinois, was one. Prof. Davenport was so thoroughly disheartened and disgusted with the decision reached by the commission that he simply went home and refused to have anything to do with it. Later he filed a protest against it.

The CHAIRMAN. Mr. Wallace, no scientific investigation gets very far where they reach a conclusion in advance, does it?

Mr. WALLACE. No; you are quite correct on it, Senator. [Laughter.]

I have here a detailed criticism of that commission. I do not know that you would want to cumber your record with it. But the trouble is fundamental. If you do not deal honestly with the farmer, you are not going to get production; if you are going to dishearten him and not have that ambition for him to do everything he possibly could. He will get to feel that the railroads, the packers—every other interest—I should not say is taken care of, but is being treated justly, and that the farmer is not.

Senator KENYON. He seems to have a pretty clear idea what we are doing for the railroads.

Mr. WALLACE. Yes.

Senator KENYON. And the dividends they are to receive.

Mr. WALLACE. Yes; and what they are doing for practically all industries.

Senator GRONNA. Isn't it reasonable to assume that the farmer will soon be unable to produce if he is restricted—that is, if the price is placed below the price of his product?

Mr. WALLACE. He can not do it. It does not matter how much he wishes to, he can not do it.

Senator GRONNA. I tried to call attention to that last year, but very few people seemed to be willing to hear me, that it was not a question of patriotism; but the fact is that he can't do it.

The CHAIRMAN. We had Dr. Warren here the other day, from Cornell, and he showed that over a long period of years when the price of wheat on December 1 was higher than it was in the preceding year there was increased acreage the next year. There was only one exception to that in a long period. I think that was also true of Irish potatoes. I was wondering if you had made any study of that branch of the question.

Mr. WALLACE. Prof. Warren I regard as the most competent man in the United States to testify on that. I would not care to add anything to his figures. I do not know whether Prof. Warren pointed out the historical ratio in values between corn, wheat, rye, oats, and other grains. Did he go into that?

The CHAIRMAN. I don't think he did. I have been working that out myself.

Mr. WALLACE. That is a matter that you gentlemen ought to consider. I have some basic figures here, but I have not had time to work them out.

The CHAIRMAN. The clerk of the committee has prepared some estimates and tabulations covering the last 26 years, showing ratio values.

Mr. WALLACE. That will be very valuable. I just noticed here that the average price of corn in Chicago on December 1 for the six years 1910 to 1916, inclusive, was 60 per cent of the average price of wheat. Now, these figures are based on the average of the high and low in both cases.

The CHAIRMAN. It might be of interest for me to say in this connection that my calculations extend over the last 26 years ending and including 1916, and the ratio of corn to wheat was 61 per cent. It is a very stable ratio.

Mr. WALLACE. When you come to ascertain those ratios with regard to rye and barley, it will be very interesting and valuable. That shows why you did not get any great response—or one reason why you did not get any great response—to the effort to increase the winter-wheat acreage. Of course, you had weather conditions, which were very difficult to contend with.

Senator GRONNA. Is there a campaign being carried on in your State urging farmers to raise wheat?

Mr. WALLACE. Yes, sir.

Senator GRONNA. What is it—a speaking campaign?

Mr. WALLACE. Yes; speaking and through the papers and through county agents, and every way they can get at it. There is going to be an increase in spring wheat in our State, in the northern part of it. There is going to be an increase of wheat to sell; but here is the thing that has been coming up in the last two weeks: a very large number of farmers are going to put in from 5 to 10 acres of wheat with the idea of having their own bread.

The CHAIRMAN. That is very significant, don't you think?

Mr. WALLACE. It is very significant.

Senator GRONNA. I have been told by some Iowa people that a good many of the farmers—or through many sections the farmers have agreed to put in 5 acres of wheat. Is that true?

Mr. WALLACE. Possibly.

Senator GRONNA. That is, they really sign a contract to that effect.

Mr. WALLACE. I have no doubt that is true.

Senator GRONNA. That is going on in the northern part of Iowa.

Senator KENYON. Yes; I know it is.

Senator GRONNA. Now, in my State there are quite a number of excellent speakers calling attention to the horrors of war and telling the farmers to produce.

The CHAIRMAN. Those men, Mr. Wallace, who are planting 5 acres in order to produce their own wheat, their own flour for bread, seem to proceed on the theory that if the Government's policy is to reduce the supply of wheat below the amount required, that they at least will be ready to stand a siege?

Mr. WALLACE. They are going to try to take care of themselves; yes, sir.

Now, when you asked Mr. Burke yesterday the question, "If you were food administrator, what would you do?" I just jotted down two or three notes as to what I would do.

The first thing I would do would be to call in men like Dr. Warren, who have an understanding of agricultural economics, of the laws of production. There are a number of such men. I would add to them one or two of what we call the classical economists, and I would say to them, "Gentlemen, here is the situation. You know our problem, because naturally you have been keeping in touch with it. I want you to survey this whole situation. I will give you whatever money is necessary, and if I haven't got it I will ask Congress to give it, to ascertain what we have in the way of food in this country—to get reliable information. Then I want you to map out the wise course for us to follow, to not only meet the present emergency, but to maintain our food supply for an indefinite period." And when those gentlemen brought in their report I would call in some practical men

to go over it with them and get such modifications as might seem wise from the practical viewpoint, and then I would put that report into force so far as I could.

Senator KENYON. Now, you had better shift yourself to one of that committee and say what the report would be.

Mr. WALLACE. What is the use? I don't know a lot of things that I would do. You asked me what I would do in this meat situation? We are trying to act without adequate knowledge.

Senator KENYON. Well, for instance, what he says about the meatless day, would you indorse the abolishment of the meatless day?

Mr. WALLACE. I would abolish the meatless day, unquestionably. But I do not know how many hogs we have got in this country. As Mr. Burke said yesterday, on September 1 the Department of Agriculture found 61,000,000 in round numbers. On January 1 the same men found a providential 11,000,000 more. [Laughter.] Just like the manna from Heaven, at the time of our greatest need these 11,000,000 hogs developed. Now, anyone who knows conditions, knows that it is absurd to say our hogs increased 11,000,000 in four months.

The CHAIRMAN. Leave it to a hog to meet an emergency. [Laughter.]

Mr. WALLACE. Then I would go further than that. I would stop nine-tenths of this propaganda, the stuff that is being put out both by circular and plate matter, and all of that. I would call in most of these speakers—splendid men, no doubt, lots of them, but without adequate knowledge of the whole situation.

The CHAIRMAN. We paid \$16,000 to print one of Mr. Hoover's speeches. I don't mean that it wasn't a good bargain; I just mention it by the way. [Laughter.]

Senator GRONNA. Mr. Wallace, you said you would call in practical men. Of course, you know what was done with reference to the food bill; that is, so far as it has had any effect upon wheat. I think every member of this committee will agree with me that no practical farmer was called in and consulted when the price of wheat was fixed. I don't think there was a single farmer appeared before any committee, but we do know that men who had dealt—good, honorable, honest men—I have nothing to say against them whatever, but the men who were called in when the price of wheat was to be fixed were men who had been dealers in wheat, who had made profits from dealing in wheat—and had done it honorably and honestly, of course, but that was the class of men called in. Now, would you call in that sort of men only, Mr. Wallace? Would you recommend that such men should be called in?

Mr. WALLACE. Well, it depends upon what you want to do.

Senator GRONNA. I mean if you were going to fix a price.

Mr. WALLACE. Of course I would not fix any price in dollars, Senator.

Senator GRONNA. You don't believe in this price fixing at all?

Mr. WALLACE. Absolutely not.

Senator RANSDELL. Now, ought we not to get something in here to show why Congress did not call in these farmers to give us proper advice in fixing the price of wheat?

The CHAIRMAN. This committee did have farmers before it.

Senator RANSDALL. One member of the committee stated that we did not have farmers here.

The CHAIRMAN. No, he said in fixing the price of wheat.

Senator RANSDALL. Congress fixed the price, didn't it? Now, why didn't we have the farmers? Would this committee that Mr. Wallace is talking about be so much smarter than all the Congress? None of us are farmers; why didn't we get the proper information?

The CHAIRMAN. We had farmers before us, but we proceeded upon the theory of fixing a minimum price to stimulate production, below which the farmer would not have to go, and he could get whatever he could above that; and if that had been done, all of the trouble Mr. Wallace is describing would not have occurred. It turned out, to your surprise, no doubt, and certainly to mine, that they have construed it to be not only a minimum but a maximum and an absolute price.

Mr. WALLACE. Every price fixed is an absolute price. They have been in England; they have been in France, and they brought about the same troubles that they are going to bring about here.

The CHAIRMAN. Could you discuss that? It has come to my attention, and probably to yours, that in England they fixed the price of dairy products, and it resulted in killing the dairy business.

Mr. WALLACE. Of course you have got to remember this, that conditions in England are different. They have always been able to draw upon us for their surplus, so they have maintained great acreages of pasture, and shipped in grain. They have maintained their livestock. Now they have to change that policy because the submarine was doing business, and it was a question of keeping people alive, and they could keep people alive on grain a good deal better than they could on meat. So they forced the killing of livestock by a sliding scale of prices beginning last August. And they were justified in doing what we would not be justified in doing at all. Our conditions are so wholly different, but they simply forced their stocker and feeder cattle to market by fixing a sliding scale, starting, for the sake of illustration, at \$17 a hundred in August, \$16 a hundred in September, \$15 a hundred in October, and so on down until they forced the killing of that cattle herd. I think that was a very wise thing for them to do, because you can feed people cheaper on grain. But here our policy should be quite different. The slavish following of the things that people there have done to meet their situation—the slavish following of them here will bring us real trouble.

The CHAIRMAN. The fundamental difference is the fact that they are an importing and consuming nation. They consume more than they produce, while we produce more than we consume.

Mr. WALLACE. Yes.

Senator KENDRICK. I have no doubt, however, that they complained just as bitterly at that kind of policy as our people have complained at the present policy.

Mr. WALLACE. They do. The stockmen there of course think it was a great mistake to kill off a lot of their herds.

Senator RANSDALL. Now, Mr. Wallace, have you explained what you think ought to be done by us? I haven't gotten that quite clear. You have given a little idea, but we are in a serious situation now, from this viewpoint of yourself and other gentlemen. Now, what can this committee do? What can Congress do to remedy this situation? I take it that these hearings are for a practical purpose.

Mr. WALLACE. I do not know, Senator. The authority seems to be lodged in the hands of the Food Administration there. You people have done that, and you have adopted a policy in doing that which the Food Administration ought to adopt. In other words, you have said, "We can't do this"—and certainly you can't do all the details of it—"we will turn that over to an administration that will give its entire time to it." Now, the next step must be that the administration must adopt a policy which will give us the food we must produce if we are going to exist and going to keep our allies alive. There is where the sticking point is. They have not done that. What stupendous folly it is to try to deal with the farmer as you try to deal with the packer, or with the steel man, or with any other organized industry. Here you can call in the steel men and you can bargain and dicker with them as to what you will pay for steel. You can call in any organized industry, but you can not do that with farmers.

Senator RANSDELL. Admitting the force of everything you say, it is our function, as I understand it, to advise this Food Administration. If it has made mistakes—probably it has; it is human to err—it is our function now to point out any mistakes that have been made and advise the correction of them. What correction would you suggest? What practical means would you say we ought to introduce from now on to correct the errors that have been made in the Food Administration? Because that is the practical thing. Either we ought to change the errors or we ought to do away with them. And I for one would like to get the best light on that so I will know how to act when matters come up in Congress.

Mr. WALLACE. If I should tell you specific things that I would do I would be guilty of the same foolishness that I am criticizing in the Food Administration, because I would be advising without adequate knowledge. There are a lot of things that we do not know, that the Food Administration ought to know. That is, it ought to have superior facilities for knowing them. There is a lot of confidential information the Food Administration ought to be able to get—and no doubt they do get it—that Congress can not get and that individuals can not get. My whole advice simply is that the Food Administration is not doing the best it can; not that the men are not sincere and patriotic and earnest and very able, but that they are wholly ignorant of the fundamental laws which absolutely govern and that the only way out is for them to change their policy as to that; to call in the men who are familiar with those laws, be guided by their advice so far as it seems workable, and work out a national agricultural policy. There isn't any other hope. You can not do anything here. You can not say anything. You can say the meatless day should be discontinued. Yes; I think that is wise; but you can not go on and deal with the matter in detail any more than the directors of a bank can look after the innumerable details which come up in the course of business.

Senator RANSDELL. Now you are getting down to the concrete. You are suggesting something practical, what we can do; that we can call these things to their attention and suggest that they make just these changes which you are advising here, and that they call in practical men. We can say to them, "You seem to have had theoretical men heretofore. Now get practical farmers and men who

are actually producing, and see if you can not get a change." That is about the idea, isn't it?

Mr. WALLACE. Don't misunderstand me. I would put far more confidence in the judgment of a man like Dr. Warren, of Ithaca, or like this young man out at the University of Illinois, Dr. Pearson—men who have made a study of the thing.

Senator RANDELL. I call them practical men.

Mr. WALLACE. Or like Dr. Spillman, in the Department of Agriculture. No doubt there are a great many other men who have not been able to come to the surface who might be very capable.

Senator GRONNA. Do not overlook Dr. Ladd, of North Dakota.

Mr. WALLACE. Yes, Dr. Ladd; men of that sort. If you call those practical men, that is what I mean.

Senator RANDELL. I call those practical men.

Mr. WALLACE. The trouble with the whole thing is that men are acting without adequate knowledge of the whole problem.

Senator KENYON. Do you think they would know more about it than a New York lawyer? [Laughter.]

Mr. WALLACE. It would seem reasonable.

Senator RANDELL. Then if we should, in an advisory capacity, bring about something of that sort you think we would have performed a valuable function?

Mr. WALLACE. Yes, sir; if you could bring about something of that sort it would be a much more valuable function than I think the country realizes now. I may be pessimistic, but I think we are going to be up against a food famine.

Senator RANDELL. You feel this is about the most serious question the country has to deal with?

Mr. WALLACE. Yes, sir.

Senator GRONNA. Mr. Wallace, did you know that some one—I presume I am safe in saying the Food Administration—is sending out men, sending out speakers, telling people to produce certain cereals, certain kinds of grain? Of course, personally I haven't the slightest objection to that, but is it the best remedy to get farmers to produce more grain? Don't you think that we should adopt a method that would be more profitable and that would insure the production of wheat at least better than by simply sending out speakers and telling them to be patriotic and produce?

Mr. WALLACE. Any of you gentlemen can go out into the country and talk to an audience of farmers and meet with an enthusiastic reception. There is no class of people who are more patriotic, and you will get a lot of pledges to produce this or that, wheat or anything else, but as time goes on the farmer is absolutely driven to produce the things that will let him out even. He can not continue to produce at a loss. It is utterly out of the question. Remember that even in Iowa 47 per cent of our land is farmed by tenants.

Senator GRONNA. And the farmer has to combat with the elements of weather as well as with prices, doesn't he?

Mr. WALLACE. Certainly.

Senator KENYON. Do you believe that these lectures that are going on, being sent out by lawyers and theorists and short-haired women, to tell the farmers how to farm, are doing very much good?

Mr. WALLACE. No. I will go further than that. I do not believe that this campaign conducted to stimulate production by holding conferences—I think that is all folly.

Now take as an illustration—I will not undertake to give exact figures, but I think if you will follow the campaign to increase the acreage of winter wheat last year, where the great conferences were held, and look at the average acreage reported from those districts, you will find a decrease instead of an increase; not because they discouraged it, but because weather conditions and seed conditions and everything made it impossible to increase.

Senator RANSDALL. What do you think of the campaign that is going on in my immediate portion of Louisiana now, sending demonstrators, agents, and others around to secure pledges from the tenants and the farm owners that they will plant not less than one-third of their land to food stuffs—that is, food stuffs for man and beast—and not more than two-thirds in cotton? Isn't that kind of a campaign fairly good?

Mr. WALLACE. That may be wise for your conditions.

Senator RANSDALL. The tendency there, I would say, has been to plant more than two-thirds in cotton, and the idea is to try to get the people to raise enough food for themselves and their live stock.

Mr. WALLACE. I should think that would be the wise thing to do, yes. I don't know enough about conditions there to say much about it. Don't understand from anything I have said that I disbelieve in this organization in the various counties; for example, the county agent. I think that is a very good movement. It lays the foundation for an organization after a while that is really worth while.

Senator GRONNA. That is really a farmers' organization.

Mr. WALLACE. Yes.

Senator RANSDALL. I think the efforts I speak of are due to the Agricultural Department. I don't think the Food Administration has anything to do with it.

Mr. WALLACE. The Agricultural Department has most of that production stimulation.

The CHAIRMAN. When I stepped out Senator Kenyon asked you, I believe, if you thought food producers would be as effective in administering this law as a New York lawyer? I was just wondering if you had a law suit pending in a New York court that involved very vital interests, whether you would retain one of those farmers whose letters you read here this morning to represent you in that litigation. Of course, you need not answer that question.

Mr. WALLACE. Well, let me say this, gentlemen, the administration of the packers, for example, naturally falls into two parts. One is to see that their books are properly kept and to see that they get no more than their 9 per cent. Now, the other part of it is to see to it that the prices are really stabilized, because when the Government undertakes to buy it really fixes the price, and I don't know that the farmer would be any better than an intelligent lawyer, granting the same integrity there. I don't mean to criticize that action.

The CHAIRMAN. I mean, if you had legal business to attend to, you would want some man who had knowledge of legal matters; and if it was looking after production you would want some man who had a remote knowledge at least of that subject.

Mr. WALLACE. Yes, sir.

The CHAIRMAN. Now it has occurred to me, suggested by what you last said, that within the range of this 9 per cent on meat and

15 per cent on by-products which the packers are allowed to realize as profit—that within that as a maximum they might stabilize prices.

Mr. WALLACE. Yes.

The CHAIRMAN. Let the packers' profit fluctuate within that, and stabilize on one end of it to the producers within certain limits, and stabilize on the other end to the consumer within certain limits.

Mr. WALLACE. Yes.

The CHAIRMAN. Which can not be done if they maintain a maximum of 9 per cent and 15 per cent all the time.

Mr. WALLACE. These daily fluctuations in the prices of live stock in Chicago have had a tremendously bad effect, because it was widely advertised that the packers being under Government supervision, naturally the producer felt that those fluctuations would be ironed out. Instead of that they found they were more violent than ever before. Now that has had a tremendously bad effect.

The CHAIRMAN. Do you happen to have the capitalization of the various packing houses and their earnings for the last year or so?

Mr. WALLACE. Not with me; no, sir.

The CHAIRMAN. Do you know anything about the poultry situation, Mr. Wallace?

Mr. WALLACE. A young man came into my office a couple of weeks ago and introduced himself as one who was out to stimulate the production of poultry. Is that what you mean?

The CHAIRMAN. Yes; and the effect of this recent order—the embargo on hens.

Mr. WALLACE. No; I have no adequate knowledge on that subject.

The CHAIRMAN. We have to bootleg hens now you know. [Laughter.]

Mr. WALLACE. Yes; I understand so.

Senator KENTON. Mr. Wallace, this whole job of the Food Administrator is a pretty hard one, isn't it?

Mr. WALLACE. Yes, sir; he has my sincere sympathy.

The CHAIRMAN. It would be a pretty hard job wouldn't it, Mr. Wallace, if he limited himself to possibilities?

Mr. WALLACE. Yes, sir.

Senator KENDRICK. Doesn't it impress you now, as we face this unfortunate situation and are looking, as Senator Ransdell has pointed out, for a way out of the difficulty—doesn't it impress you that two of the chief causes of our trouble are, first, an attempt to fix a price on any of our products, as for instance, wheat; and again the authorized control of the packing houses that does not control?

Mr. WALLACE. Yes.

Senator KENDRICK. It seems to me, as I look at it, that to those two things may be traced a great many of our present difficulties.

Mr. WALLACE. Well, it seems to me, gentlemen, that the great trouble is this: That the attitude of the representatives of the Government here toward the farmer is their attitude toward organized business of one sort or another; that they think they can deal with that situation, that they can deal with the representative of the farmer who comes here, and if they reach an agreement satisfactory to him, that therefore the trouble is over. Now you can not any more commit the farmer to a general policy through a few representatives who come here than you can fly to the moon.

The CHAIRMAN. They are trying to treat in the same way things that are fundamentally different?

Mr. WALLACE. Yes, sir.

Senator GRONNA. Not only that, but isn't it theoretically and practically and fundamentally wrong to fix the price on one thing unless you fix the price on the things which naturally must be consumed to produce that article?

Mr. WALLACE. Certainly. But now let me illustrate the difficulty of the matter, Senator. Here are a lot of cattle feeders—this has been suggested many times by intelligent men—they say, "Fix the price on corn; that is the solution." Now, what an absurdity. Yet that is the thing that naturally appeals to the mind of the man who is losing money on his cattle—"If I can buy my corn cheaper, then I won't lose on my cattle." But it is just like as a boy if you ever tried walking a tight rope after seeing an exhibition at the circus there was one thing you found out, that as soon as you started you couldn't turn back; it was simply a question of how long you could last until you fell to the ground. That is the situation we are finding ourselves in.

The CHAIRMAN. We will adjourn now until to-morrow morning at 10.30.

(Whereupon, at 12.20 o'clock p. m., the committee adjourned until 10.30 o'clock a. m., Saturday, March 16, 1918.)

INCREASED PRODUCTION OF MEAT AND GRAIN PRODUCTS.

SATURDAY, MARCH 16, 1918.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met pursuant to adjournment at 10.30 o'clock a. m., in the committee room, No. 326, Senate Office Building; Hon. Thomas P. Gore presiding.

Present: Senators Gore (chairman), Gronna, Kenyon, and Wadsworth.

The CHAIRMAN. Mr. Hudson, we will hear you first. Will you kindly state your name, address, and business?

STATEMENT OF MR. J. A. HUDSON, LIVE-STOCK FEEDER, COLUMBIA, MO.

Mr. HUDSON. J. A. Hudson, Columbia, Mo. I am farming several hundred acres of Missouri River bottom land, and have been trying to feed the product of that farm, together with necessary concentrates, to beef cattle.

The CHAIRMAN. Please proceed in your own way, and make whatever statement you desire.

Mr. HUDSON. I have not prepared any statement. Of course, I could if desired, Mr. Chairman, relate my own experience, but that is set out so fully in copies of correspondence which I can leave with the committee that it seems to me it would be hardly necessary.

The CHAIRMAN. Then you can attach the correspondence to your statement as an exhibit. You would not care to read the correspondence at this time?

Mr. HUDSON. I could read it, if desired, but it is rather extensive. It discusses nearly all the points that have been raised by the Food Administration in explanation of the actions they have taken. I also have some copies of affidavits. I have the original affidavits here, but the originals have been pledged, although not delivered, so that I feel that I will have to deliver them as promised. Those affidavits show the actual losses of practical men who have fed and disposed of their stock in recent times. For instance, I have the affidavit here of Mr. Betterton; if the Chairman desires, I will read that.

The CHAIRMAN. You might read one and print the rest.

(The witness read the affidavit referred to, which is here printed in full, as follows:)

J. M. Batterton, on his oath, states that he is a citizen of Boone County, Mo.; is 58 years old; and has lived here all his life; has been engaged in general farming and raising and feeding stock. That a few years since he removed his family to Columbia

to better educate his children, but that he has continued to operate his several farms. That he has for many years fed cattle for beef market. That he put 125 steers on feed about the 1st of November, bought as cheap as could be had. They were fed soft corn, rilage, and linseed oil meal, and were sold about the 1st of February. Counting the soft corn fed at 50 cents a bushel, but counting nothing for labor or equipment, the cattle and hogs that run with them lost me \$1,350.

J. M. BATTERTON.

Subscribed and sworn to before me this March 1, 1918, at Columbia, Mo.

(SEAL.)

THOMAS K. CATTON.

Notary Public.

Mr. HUDSON. I will say that Mr. Batterton has served as treasurer of Boone County and as the mayor of Columbia. I merely state that to indicate the character of the man.

I have another statement here from a man who is quite as prominent as Mr. Batterton, showing not quite so heavy a loss, but a considerable loss. I suppose it is not necessary to read any more of them.

The CHAIRMAN. Before you proceed with the correspondence, Mr. Hudson, I wish to ask you two or three questions. Do you regard this as an isolated and exceptional instance, or is that condition general?

Mr. HUDSON. These affidavits cover the actual losses of men who are really experienced feeders. Mr. Batterton has been feeding cattle all his life.

The CHAIRMAN. And you think that what has happened to these individuals whose affidavits you file has happened generally?

Mr. HUDSON. Yes, sir. I think possibly Mr. Batterton was not as fortunate as the average man, and his loss is a little more than the average loss.

The CHAIRMAN. Do you mean his loss in the aggregate, or his relative loss?

Mr. HUDSON. His relative loss was a little larger than the average. However, I have another affidavit from a young man, educated at the Agricultural College of Missouri, who is located just across the river from me, and his losses are, if anything, a little heavier than Mr. Batterton's.

The CHAIRMAN. That is, his absolute loss?

Mr. HUDSON. Yes, sir.

The CHAIRMAN. Or the gross amount?

Mr. HUDSON. No, sir; I mean his relative loss. His relative loss was a little larger than Mr. Batterton's. He had a little larger loss, with only 114 steers.

The CHAIRMAN. Before you come to the correspondence, I might say the committee is interested in the production and conservation of food, including both wheat and meat, as well as all other food stuffs. Speaking for myself, I think production is not only the primary, but the paramount necessity in the scheme of providence, and I would like to know if you think the situation with regard to production is satisfactory or not.

Mr. HUDSON. I think it is very unsatisfactory, Mr. Chairman. I was just going to say that Mr. Wallace in his statement yesterday was very conservative. That condition has been brought about, in the first place, by the urgent appeals made everywhere for increased production, and those urgent appeals were always accompanied with the assurance that the producer would not only be entitled to a fair remuneration, but with the further assurance that the administra-

tion, especially the Food Administration, would use its utmost efforts, in buying for the allies and for the Government, to see that a fair remuneration was received. That was also propagated by the agents of the administration going through the country. We had it everywhere. So that, of course, while the people felt that conditions were very unsettled, the feeders, for instance, proceeded to feed. They felt it was their duty to do it; they wanted to help. But no sooner had the stuff begun to be marketed than it was announced—for instance, by Mr. Cotton, from Chicago, on the 17th of January, and at Salt Lake City and other places—that the Food Administration would use its buying powers not only to prevent a decline in the market, but also to prevent an advance in the price of cattle.

The CHAIRMAN. Have you copies of any statements of that sort?

Mr. HUDSON. That is included in this correspondence, Mr. Chairman.

Of course, the people began to feel that they had been deceived, and naturally when a man feels that he has been led into a thing and then taken advantage of, he becomes intensely dissatisfied. He is more or less humiliated. I have never seen as intense dissatisfaction. I can not say that the people are angry, but they feel hurt, deceived, humiliated; they feel that they have been dealt with unfairly. Whether intentionally or not, of course I do not know. I only have the records to go by.

Senator GRONNA. What is being done in Missouri, Mr. Hudson, to speed up production? Is there a campaign going on there now?

Mr. HUDSON. Yes, sir; it is going on and has been continuing, and the farmers want to do all they can, and yet they feel that they can not afford to continue to lose money.

The CHAIRMAN. Some of them could not do it if they wanted to, could they?

Mr. HUDSON. No, sir; I was going to explain that. Take it in my own case. I do not live on the farm, but I have the active management of it. I have a young man on the farm who does the work, and I divide the results with him as compensation for his work. This young man, of course, loses equally with me on these cattle that we fed. He can not afford to lose it; he has not got it to lose; and when he loses it, it means he is simply in debt and can not pay up. That is the condition with a great many.

Mr. Batterton told me in explaining his situation—and his statement, I am satisfied, is accurate, because he referred to his books in making it—that the young man on his farm had voluntarily offered to give him his note for \$1,600 to make up the actual loss and shortage that he was unable to pay. Of course, the young fellow has nothing, and Mr. Batterton said, "I did not care particularly about it, but he insisted on it, and I did not want to make him feel that I would not accept his obligation."

The CHAIRMAN. I want to ask three or four questions in that connection. Is it a fact that the live-stock men—feeders and breeders—last fall were advised and encouraged by the Food Administration to speed up production?

Mr. HUDSON. Most persistently.

The CHAIRMAN. Was that pressed upon them as a patriotic duty and as being of service in winning the war?

Mr. HUDSON. They not only did that, but urged it on the ground that if they would produce it would be the whole Nation's duty to see that they were fairly remunerated for their efforts.

The CHAIRMAN. Now, upon those assurances, and upon those appeals, did the live stock men respond?

Mr. HUDSON. Yes, sir; many of them would not have thought of it if it had not been for those assurances.

The CHAIRMAN. The increased production brought about by the encouragement on the part of the Food Administration and built up by the meatless days has caused an artificial overproduction, has it not? I mean, not an actual overproduction.

Mr. HUDSON. Well, sometimes they tell us there is an overproduction; sometimes they tell us there is not. It is pretty difficult for us to arrive at a satisfactory understanding of that proposition.

The CHAIRMAN. Then, whether there was an artificial overproduction or not, if the production had been only normal the meatless days would have had the effect of making the normal production to that extent excessive?

Mr. HUDSON. Certainly.

The CHAIRMAN. Because it cut down the demand. Do you not think that is a good deal like penalizing a man for being loyal and patriotic?

Mr. HUDSON. We feel that way about it, and that has tended largely to produce the unfortunate condition that now exists throughout the corn belt.

The CHAIRMAN. Now, what will be the reaction upon production in the future?

Mr. HUDSON. I think the consensus of opinion is that within a year there will be a very apparent shortage in the meat supply, although to increase or decrease the supply of beef requires considerable time. The propaganda that was begun for the increase in the production of hogs last year, together with the assurances that the hogs produced in 1918 would be marketed at a price per 100 pounds of pork equal to 13 bushels of corn, resulted in an effort on the part of a great many people to greatly increase the hog production. Along in the fall and during the winter months, when hogs were so much cheaper than they had been, a great many people became discouraged, and before their sows were too near farrowing thousands of them were shipped to market; so I am unable to say how much increased production there will be as to hogs.

The CHAIRMAN. Referring again to cattle, you say it takes some time for that to come about; but the first step in the process of reducing the production of cattle does not take very much time; that is, the excessive slaughtering of calves?

Mr. HUDSON. No, sir.

The CHAIRMAN. Have they slaughtered more than they would normally on account of the discouraging prospects?

Mr. HUDSON. I will say this, that the large majority of the cattle that have been marketed, even in recent months, were wholly unfit to be slaughtered.

The CHAIRMAN. Is it not singular that the price of that sort of beef is apparently high as compared with the best well-finished beef?

Mr. HUDSON. It is high. If good cattle were worth as much as we have always understood, compared with the poorer grades, the losses would be very much less.

The CHAIRMAN. I would like at this point to throw in the remark that the record at Omaha shows more pigs were marketed there last November than in any month in the history of the yards.

Mr. HUDSON. I want to say, Mr. Chairman, that some influence is now apparently reducing the price of corn very rapidly. Of course, I can not say that with corn the people are losing like they have been on meat production, but if this corn price is interfered with it is going to affect the production, very seriously.

The CHAIRMAN. You would favor, then, the fixing of a price on corn in the same way as on wheat?

Mr. HUDSON. Through some means or other, corn has been declining very rapidly in the last week.

The CHAIRMAN. What is the price now, Mr. Hudson?

Mr. HUDSON. Mr. Hoover, the Food Administrator, announced day before yesterday that corn had dropped to \$1.50 on the Chicago market; it has been from \$1.70 up to more than \$2.

Senator WADSWORTH. Mr. Hudson, are there many cattle brought into Missouri and put out on grass and finished in the summer time?

Mr. HUDSON. Well, there have been a good many, but I think there are few being brought in now.

Senator WADSWORTH. I was going to ask you how the demand for that class of cattle this spring compares with the demand last spring and the spring prior to that?

Mr. HUDSON. Well, the demand is not as good. That comes from two causes. In the first place, the packers are buying everything that a man would call fair feeders, and slaughtering them. That, of course, runs the price of feeders up so high that the people who have pastures are afraid to handle them. Then, of course, nobody knows what is going to happen, and the feeders are simply afraid to attempt to produce beef cattle.

Senator WADSWORTH. You mean the feeders and the men who own grass are fearful that some more meatless days may be ordered?

Mr. HUDSON. Yes; they are afraid. Besides that, nearly all of these cattle that are grazed on the Missouri pastures have to be fed more or less. They can produce them a little cheaper, considering the very little income from their pastures, but they are afraid even to do that.

The CHAIRMAN. Do you consider the killing of these cattle before they are finished economic, or not? I mean from the larger view of food supply, as to whether or not the extra beef put on by the extra feeding pays in the long run.

Mr. HUDSON. As to cattle, Mr. Chairman, I would say this. I am unable to answer from a technical standpoint as applying to immediate use, but it is certainly very bad policy considering the future. It results, as I have said, in running that class of cattle up so high that the feeders can not afford to feed them, because there must be a spread between the feeder price and the beef price. It costs now, I should say, from 25 to 35 cents to put a pound of beef on a steer; it probably will cost some people a little more than that, but it is a very rare case where a man can put a pound of beef on a steer for 25 cents. So you see there must be a spread between the price that he pays for his cattle and the price he sells them at.

The CHAIRMAN. We are very much obliged to you, Mr. Hudson.

370 INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

(The correspondence and the affidavits submitted by Mr. Hudson are here printed in full, as follows:)

J. L. Dodd, on his oath, says he is a citizen of Boone County, Mo., is 60 years old, and has been feeding beef cattle more than 30 years; that he put 22 steers on feed the 1st of December, and that on the present market these cattle would lose at least \$25 per head, or a total of \$450, counting nothing for labor, interest on investment, etc.

J. L. DODD.

Subscribed and sworn to before me this March 6, 1918, at Columbia, Mo.

[SEAL.]

HORACE C. SMITH,
Notary Public.

W. R. Prather, on his oath, says he is a citizen of Boone County, Mo., is 48 years old, and been engaged in farming and feeding all his life. He is now feeding 21 steers for the market, and that on the present market these cattle would lose him at least \$20 a head on the cost of the cattle and the feed actually consumed, including nothing for labor, trouble, or equipment.

W. R. PRATHER.

Subscribed and sworn to before me this March 1, 1918, at Columbia, Mo.

[SEAL.]

HORACE C. SMITH,
Notary Public.

Thomas G. Clark, on his oath, says he is a citizen of Boone County, Mo., is 32 years old, and has been engaged in farming and stock raising and feeding all his life; was educated in the College of Agriculture of Missouri, and for the past several years has been associated with J. A. Hudson in operating the McBaine, Boone County farm, and feeding cattle; that the 21st of last October we put into the feeding barns on this farm 502 steers, averaging 1,007 pounds at a cost of \$9.60 per hundred; experienced stockmen and feeders considered the buy an unusually good one; these barns are roomy, supplied with an abundance of pure deep-well water, so arranged that it may be kept running through large troughs to keep it fresh and cool in warm days, and to prevent freezing in cold days. In short, the barns are provided with everything necessary to the quiet and comfort of the cattle, and for economical feeding, including sun lots with concrete floors and ample shelter. The cattle were fed corn silage, clover and alfalfa meal, and linseed oil cake. We have been offered \$30 a ton for the alfalfa hay, before we grind it into meal, but in counting cost of feed consumed by the cattle, the clover and alfalfa are estimated at \$25 per ton. Clover is worth about \$3 a ton less on the market than alfalfa. We estimate corn silage at \$8.40 a ton, allowing \$1.50 a bushel for actual corn in silage, and 90 cents for putting it into the silo, but count nothing for the fodder.

We count the linseed feed at \$52.50 per ton. This was contracted in advance at a price from \$7.50 to \$8.50 per ton less than it could be bought for while the feeding was in process. Wheat straw used was counted at \$7.50 a ton, from \$2 to \$3 less than it was worth in St. Louis, a difference of more than enough to pay for shipping. The feed was weighed frequently, so that I have a very accurate knowledge of the amount fed. We have sold 200 of these steers, and were fortunate in getting from 25 to 50 cents advance over prices paid the weeks immediately preceding our sale. Having sold only part of the cattle, it is impossible to know exactly what the loss has been so far, but as near as we can determine, the loss on the 200 sold was about \$17.50 a head, or a total of \$3,500, after making due allowance for the hogs we have with the cattle, and yet unsold. The cattle were fed about 110 days and were just fairly half fat. In counting the cost of these cattle I have included nothing for labor of feeding, nothing for cutting and grinding the hay into meal, nothing for pumping water, nothing for equipment, nothing for insurance on the buildings, no insurance on cattle, nothing but the cost of the cattle and feed actually consumed.

THOS. G. CLARK.

Subscribed and sworn to before me this March 5, 1918, at Columbia, Mo.

[SEAL.]

EUGENE F. RUTHER,
Notary Public.

INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS. 371

A. J. Estes, on his oath, states that he is a citizen of Columbia, Mo.; that he is 56 years old, and that until a few years since he has lived all his life on a farm and was engaged in general farming and stock raising and feeding; that he continues to operate his several farms; that last fall he put 81 steers on feed, which were bought as cheaply as could be had; that they were fed in the usual way and sold early in February at a loss of about \$20 a head, or a little over \$1,600 on the lot, counting nothing for labor of feeding or equipment.

Mr. Estes further says that the cattle were sold when about half fat, which has not been my custom in feeding, but I saw it was a losing game and decided to stop the loss as quickly as possible.

A. J. ESTES.

Subscribed and sworn to before me this March 1, 1918, at Columbia, Mo.

[SEAL.]

THOMAS K. CATRON,
Notary Public.

R. L. Freeman, on his oath, says he is a citizen of Copper County, Mo., and has all his life been engaged in general farming and stock raising and feeding, except the time he attended the College of Agriculture of Missouri; that in September he bought 114 steers, which were received and turned on pasture the middle of October at a cost of 9 cents per pound. The 1st of November they were put in feed lot and fed in the usual way on corn, millet and alfalfa hay, and small amount wheat straw. Counting the feed consumed at the market price, but counting nothing for labor or trouble, and nothing for interest on investment, the loss on the cattle and hogs with them amounted to \$5,862.

R. L. FREEMAN.

Subscribed and sworn to before me this March 1, 1918, at Columbia, Mo.

[SEAL.]

HORACE C. SMITH,
Notary Public.

J. M. Batterton, on his oath, states that he is a citizen of Boone County, Mo., is 58 years old, and has lived here all his life; has been engaged in general farming and raising and feeding stock; that a few years since he removed his family to Columbia to better educate his children, but that he has continued to operate his several farms; that he has for many years fed cattle for beef market; that he put 125 steers on feed about the 1st of November, bought as cheap as could be had. They were fed soft corn silage and linseed oil meal, and were sold about the 1st of February. Counting the soft corn fed at 50 cents a bushel, but counting nothing for labor or equipment, the cattle and hogs that run with them lost me \$4,350.

J. M. BATTERTON.

Subscribed and sworn to before me this March 1, 1918, at Columbia, Mo.

[SEAL.]

THOMAS K. CATRON,
Notary Public.

F. M. Thompson, on his oath, says he is a citizen of Boone County, Mo., where he has been engaged during the past 40 years in farming and stock raising and feeding; that on January 25 last he sold in National Stock Yards, Ill., 20 steers which he had fed about 70 days, after having pastured them some time before; that counting pasture at \$2 per month a head, and counting feed at market value, these cattle lost him \$512.65 on cost of cattle, pasture and feed, counting nothing for labor or interest on investment.

F. M. THOMPSON.

Subscribed and sworn to before me this March 1, 1918, at Columbia, Mo.

[SEAL.]

HORACE C. SMITH,
Notary Public.

STATE OF MISSOURI,

County of Bates, ss:

We, the undersigned, being farmers, stock raisers, feeders, and shippers, and being each of us interested in farming, stock and poultry raising, or the dairy business, either directly or indirectly, being duly sworn, upon our oaths say:

That we believe that in this county and this section the following conditions prevail in the above-mentioned industries: That farmers have been and are fattening

and selling their brood sows; that farmers have been selling their stock cattle and ceasing from buying and feeding cattle for market; that the poultry business has not increased and in many instances has decreased through the sale of flocks; that these conditions are solely due to the fact that the legitimate ratio between the costs of grain and other food and fattening stuffs has not been maintained with the price of the farmers marketable product from stock and poultry.

We further believe and upon our oaths state that there exists within comparatively narrow limits a ratio of price per hundred pounds of pork and fattening material (being bushels of corn in this case), which must be maintained to stimulate the production of pork. We believe that in the case of pork this ratio to be about 100 pounds of pork shall equal the price of 13 bushels of corn. We believe that the prices of corn, cottonseed meal, and all other feeds, and especially tankage, bran, shorts, etc., must maintain this ratio to fat stock.

We further believe that the above-named conditions in this county and in this section are directly due to the failure to maintain this ratio by the just and proper fixing of prices for food products and the permission to packers and speculators to combine to reduce prices of the farmers' finished product.

Witness my hand to the above and foregoing, which I have read and which I believe to be true and accurate statement of conditions with which I am familiar.

A. L. Fox, farmer and stock shipper; J. W. Harrison, landowner and real estate agent; F. F. Blankenbaker, L. L. Edwards, Frank Allen, Thomas Boern, Alva Deerwester, S. P. Grimes, A. J. Maguire, Jana Wossa, F. S. Wolf, Harry French, C. A. Allen (Butler, Mo.), Harry French, J. L. Ghene, C. W. Ray, J. J. Beansan, W. B. Welch, R. J. Thomas, W. H. Simpson, W. H. Charlus, E. H. Rosier, S. P. Adams, S. M. Asbury, J. M. Graves, Otis Andrews, J. L. Jones, D. Carson, Geo. C. Korneman, H. G. Sieran, Jno. T. Shipp, Harry Traver, farmers and stock raisers.

Subscribed and sworn to before me this 2d day of March, 1918, by each of the persons above named, who are further each known to me as credible persons.

[SEAL.]

W. O. ATKESON,
Notary Public.

My commission expires June 4, 1921.

McBAINE (BOONE COUNTY) FARM,
Columbia, Mo., January 24, 1918.

Mr. J. P. COTTON,

Chief Meat Division, National Food Administration, Chicago, Ill.

DEAR SIR: I assume from reading your statement of the 17th touching upon live-stock prices that you are under the impression that present prices are on a living basis to the feeder who produces economically and in line with your suggestions.

If you had given us your suggestions six months ago, we certainly would have been much better off. We would then have known enough to stay out. But we depended upon the assurance given on every hand that we would be treated fairly.

While it is undoubtedly true that in exceptional instances some may have been able to get out without loss, it is equally true that under ordinary conditions no feeder in the corn belt can produce even half fat cattle at the prices you suggest, and which you say you hope to maintain and prevent from going higher or lower, and on which prices the loss on cattle fed in the usual way on corn will be so much that the feeder will remember it a long, long time.

I believe I have as good a feeding plant as there is in the United States. If any one will suggest where there is a better one, I'll go see it and make any improvements it suggests. I believe my feeding is done as systematically, and with feed as economically selected and as well balanced as is reasonably practical, so that I know I am making beef at considerably less cost than the average feeder can make it. I bought my feed that I didn't grow at from 15 per cent to 30 per cent less than it could have been bought for since November, and I base my cost on cattle on prices actually paid. Cost of cattle on present prices would be higher. I bought my cattle in October at \$9.60, in my barns. Two of the best cattle men in the National Stock Yards looked at the cattle last Saturday. Both agreed it would have been impossible to have made a better buy. Every stock man who has seen the cattle from time to time has declared the cattle have done well. I know they have, because I have weighed them every 30 days.

About half of these cattle are ready to ship—half-fat, or short-fed, as you suggest, and the prospects are the cattle and the hogs with them will lack from \$4,000 to \$10,000 bringing what the cattle, hogs, and feed actually cost, saying nothing about the actual cost of the labor of feeding and watering, and interest and depreciation on equipment.

And I am perfectly confident I have put meat on these cattle at least 25 per cent cheaper than the average feeder, feeding in the usual way, can do it. As evidence of this I cite the experience of a neighbor, Mr. J. M. Batterton, an experienced feeder, and a man whose word goes wherever known. Mr. Batterton fed 125 steers, which he sold Saturday. They were just fairly half-fat, or short-fed, as you suggest. Mr. Batterton authorizes me to say he suffered a net loss of at least \$3,000, counting feed only. Counting labor and equipment, the loss would be considerably more.

That would mean a loss of \$12,000 for me, on feed only, in same proportion on my 500; but being some better equipped, I hope to get out better, though Mr. Batterton was better equipped than many.

But there isn't a feeder in this section that doesn't know he must take a considerable actual loss on cost of feed alone at present prices.

It seems unthinkable that the Government of the United States, engaged in horrible war avowably for democracy and justice, and pleading for increased production with the assurance that the producer shall be treated fairly, and on the ground heralded everywhere that "Food will win the war," it seems unthinkable that the Government would take this food—in this case meat—at thousands of dollars less than the value of the actual feed required to produce it, when feed under the most favorable circumstances, considering absolutely nothing for cost of labor or feeding and watering, nothing for equipment, nothing for profit, though the packers, through whom this meat is bought, are to have from 9 per cent to 15 per cent profit.

Is it supposed breeders and feeders will continue to toil and expose themselves on this basis? What of the young man who has charge of these cattle, and who is equally interested in the result of the feeding; who toiled all summer to grow his part of the feed for them, and who in a recent cold spell froze his feet while feeding and caring for them, and whose very existence almost depends on a successful issue? Is it supposed such as he will repeat the experience, even if they should be financially able to do so?

Is it supposed the American breeder and feeder will continue to subject himself to such outrage? Yes, "outrage." For to take from the producer at less than actual cost in money, exclusive of labor and equipment, that which he has produced on urgent request of the Government on the assurance that it is necessary that "Food will win the war" is an outrage.

But there is another serious phase in the matter. Certainly no intelligent man expects the breeder and feeder to continue the business in the face of your announcement of the 17th. Then what?

I have three boys. Two of them are in the Army—one "somewhere in France." The third is in a hospital recovering from an operation found necessary to fit him for service when he volunteered, so that personally I keenly realize the necessity of supporting the Government in this horrible struggle. But surely one single class is not to be singled out for financial slaughter while all others are assured, not simply cost of production, but handsome profits.

Excuse me for speaking so bluntly, Mr. Cotton, but I do not believe you quite realize the cost of producing even half-fed cattle, and I do not object to the half-fat feature. In a short conference with you I did not get the impression that you would knowingly do an injustice. Hence I feel sure you issued that statement of the 17th under a misunderstanding of the facts.

Your suggestion that some feed extravagantly is of course true, but your assumption that by proper management even half-fed or half-fat cattle can be produced successfully at present price is not true. There might be rare exceptions, but generally speaking it can not be done; and for dry corn-fed cattle, under usual practice, the loss would be heavy indeed.

As confirming what I say, I refer you to Wallace's Farmer of January 4, which indicates the average losses of fat 1,300 pound steers at about \$36 per head.

I am writing personally, but as chairman of the Missouri Farmer's Association I am in a position to be familiar with the situation, and feel sure you are mistaken in your idea that farmers generally are breeding more pigs. They were some weeks ago, but since the constant decline in hogs, many are selling their hogs and sows, keeping only enough for their own meat. At a recent farmers meeting, held last Saturday, a number of farmers declared they had done this. At a meeting of farmers in north Missouri this week inquiry indicated this to be true. I do know farmers, especially feeders, feel they are being unfairly dealt with. I don't know about hogs, but I do know about cattle, and I know they have a right to complain. I know that I and

the young man associated with me stand to lose not only the labor necessary to feed the cattle, and all interest and depreciation on equipment, but several thousand dollars on the feed consumed. I know we are feeding under better conditions and more economically than the average feeder possibly can, and I know we suffer an actual cash loss, and I know others will lose in proportion.

I feel this is not only grossly unfair, but exceedingly bad policy, laden with serious results for the future, if it is expected that "Food will win the war." Thanking you in advance for kind consideration, I am,

Yours, truly,

J. A. HUDSON.

P. S.—While I know that some at least are selling off their brood sows, and other stock hogs, I have increased my brood sows from a dozen or so to 96. I have several hundred acres of clover and alfalfa, and know I can produce hogs cheaper than the average breeder and feeder, so I am going to stick to it as long as I can. But if these hogs are taken from me at a loss, as the cattle are being taken, then of course I'll quit hogs also.

UNITED STATES FOOD ADMINISTRATION,
Washington, D. C., February 2, 1918.

Mr. J. A. HUDSON,
Columbia, Mo.

DEAR SIR: Your letter of January 24 to Mr. Cotton has been received and brought to his personal attention. There is one element of the situation which you have not taken into consideration. The law gives the Food Administration no power to fix a minimum price on cattle or hogs either. The only control it has is through the buying power lodged in its hands. It controls the buying of all the supplies used by the Army, the Navy, the allies, Belgium, and the neutrals. This amounts to over 20 per cent of the entire output as regards hogs, but as regards cattle, it amounts to less than 5 per cent; as I remember, the figures are around 3 per cent. This being so, the Food Administration can not, except in a very small way, exercise control over cattle prices.

Another point. Where private businesses have been taken under Government control, as in the case of packers and the railroads, in payment for such control the Government must see to it that a reasonable profit goes to the controlled businesses. If the Government committed an injustice on this point, the Supreme Court would soon correct it.

On the other hand, the businesses not taken over, in most cases can and must be left to work out their problems under natural law. As a matter of "win the war" policy, the Food Administration felt that it was necessary for it to interfere in regard to the hog industry, and fortunately it happened to have the power to do what it wanted in that case.

It no doubt seems to you that you have been "singled out for slaughter," as you say, but many, many other lines of business and millions of individuals (myself personally among them, if you will allow me to say it) are losing as much in proportion from war-imposed conditions as the cattle dealers. War is war, and we have to face losses and changes.

Yours very truly,

UNITED STATES FOOD ADMINISTRATION,
By MELVIN GREEN.

COLUMBIA, Mo., February 7, 1918.

UNITED STATES FOOD ADMINISTRATION,
Washington, D. C.

GENTLEMEN: I am in receipt of your letter of February 2, signed "United States Food Administration, by Melvin Green," replying to my letter of January 24, to Mr. J. P. Cotton, Chief of the Meat Division of the United States Food Administration.

I note that you say:

"The law gives the Food Administration no power to fix a minimum price on cattle or hogs either. The only control it has is through the buying power lodged in its hands. It controls the buying of all the supplies used by the Army, the Navy, the allies, Belgium, and the neutrals. This amounts to over 20 per cent of the entire output as regards hogs, but as regards cattle, it amounts to less than 5 per cent—as I remember, the figures are around 3 per cent. This being so, the Food Administration can not, except in a very small way, exercise control over cattle prices."

It was widely announced several months ago that the Food Administration had assumed control over the packing plants, with Mr. J. P. Cotton, Chief of the Meat Division of the United States Food Administration, in charge.

It is undeniable that for years and years, up to the time the Food Administration assumed control of the packers, the packers fixed the price of cattle, hogs, and sheep. Then, with the Food Administration in control of the packers, who fixes the price now? Certainly the farmer and feeder does not. Has the Food Administration really got control over the packers, as has been widely announced, or have the packers control over the Food Administration, as they have for years had over the feeders?

In his statement made in Chicago, dated January 17, Mr. Cotton said:

"While the meat division is using the large foreign orders for pork and beef to support the prices of hogs and cattle during the heavy winter run to market, it expects to use them as a check on any material advance, should a shortage come later."

This indicates very clearly that Mr. Cotton thinks he has, through "large foreign orders for pork and beef," power to keep the prices of hogs "and cattle" from advancing, and he declares very frankly that he proposes to see such prices do not advance, notwithstanding the Food Administration, as represented by Mr. Melvin Green.

At the time of the recent acute shortage of meats in the East, the Food Administration, under date of Washington, January 29, sent out an announcement in regard to same in which, among other things, it said:

"There will be little, if any, increase in the price of live stock or the cost of producing meats during the near future."

Surely the author of these words thought the Food Administration had authority and power to prevent an increase in the price of live stock. Else by what right did the Food Administration boldly declare "There will be little, if any, increase in the price of live stock," while the process of taking this stock through the packing houses, under the control of this same Food Administration, at prices far below the cost of production, entailing losses of thousands upon thousands of dollars upon the breeders and feeders, proceeded serenely, while the packers, through whom this live stock is handled, are allowed from 9 per cent to 15 per cent profit by the Food Administration?

You further say that the buying power of the Food Administration "amounts to over 20 per cent of the entire output as regards hogs, but as regards cattle it amounts to less than 5 per cent; as I remember, the figures are around 3 per cent."

It has been widely published and not denied that the Food Administration has orders for 70,000,000 pounds of beef to be shipped monthly to the allies in Europe for three months.

If this represents only 3 per cent of the entire output of beef, then the output of beef must amount to 6,790,000,000 pounds a month, or about 65 pounds a month, 2½ pounds a day, for every man, woman, and child in the United States, which must be admitted to be entirely out of the question, especially when we remember that a very large part of the people, the farmers, use comparatively little beef. And this 70,000,000 pounds does not include purchases for the Army and Navy you speak of.

But further on you say:

"Another point. Where private businesses have been taken under Government control, as in the case of packers and the railroads, in payment for such control the Government must see to it that a reasonable profit goes to the controlled businesses. If the Government committed an injustice on this point, the Supreme Court would soon correct it."

While it may be true that you can take the product of the breeder and feeder at prices far below the cost of production in such an indirect way that the Supreme Court will not interfere, upon what principles of justice do you justify such action? Is it possible the Food Administration would justify the taking of beef cattle at prices far below the cost of production, entailing great losses upon the breeder and feeder, while allowing the packers from 9 per cent to 15 per cent, on the ground, forsooth, the feeder may be sacrificed without fear of interference from the Supreme Court?

Thus, are we to understand that while the Supreme Court protects the railroads and the packers, in the estimation of the Food Administration, the feeder may be fleeced at will?

But, finally, let us see what Mr. Hoover, Food Administrator, says when pleading for increased production, as against what the Food Administration now says when the farmer and feeder, after producing the food asked for, is pleading that this food be not taken away from him at less than the actual cost of production.

In a letter addressed by Mr. Hoover to Mr. W. T. Creasy, chairman of the Federal Board of Farm Organizations, Mr. Hoover, among other things, says:

"DEAR MR. CREASY: I would be glad if you could bring before your committee the essential necessity for the welfare of our Nation and democracies of the world, that the

production of our food supplies be increased. We have a right to expect, and do expect, that the farmers of America will put forth their best efforts to bring this about.

"Should nature favor the farmer's efforts for increased yields, it is the whole Nation's responsibility to see that these yields are conserved to the Nation's benefit, and that a fair compensation is returned to the farmer for his labor and capital used in the production of food supplies. An abundance of food supplies should not mean their production at loss to the farmer.

"The Food Administration intends, to the fullest of its power, through the influence of export buying, to maintain a price for animal products that will give a reasonable return to the producer."

This was before production. In the face of these positive assurances that the producer would be fairly dealt with, isn't it humiliating to every self-respecting American to read the stuff now being put forward by the Food Administration in the justification of the sacrifices being inflicted upon the producers, by emptying their feeding pens and barns at prices thousands and thousands of dollars below the cost of production?

Mr. E. D. Durand, assistant chief of the meat division of the United States Food Administration, attended farmer's week at the College of Agriculture, Columbia, Mo., in January, and in an address said:

"We have no doubt that a good many cattle feeders are losing money just now. We are sorry, but it could not have been helped. * * *

"As regards live-stock industry, the Government has done and is doing a great deal to make your work in production count. The Food Administration has no apology to make on this account."

How do these utterances compare with the utterances of Mr. Hoover, when pleading for increased production?

Further on you say: "It no doubt seems to you that you have been singled out for slaughter."

If I was alone in the slaughter that would be of small consequence. But what of the young man who is equally interested with me in these cattle and hogs, and who has toiled from early morn till late at night, and frequently into the night, to produce the feed for these cattle, and whose financial existence depends on a successful issue? And what of the hundreds and thousands of others in a similar situation? On the present markets these cattle and hogs will lack from \$6,000 to \$12,000 yielding a sum sufficient to pay for the feed they have actually eaten, say nothing about the labor of feeding, nothing for equipment, nothing for profit, while the packers' profit under your control is to be from 9 per cent to 15 per cent.

Where is this young man to get money to pay back the money he borrowed to produce this food? And there are hundreds and thousands in similar unfortunate situations.

And this, too, in the face of Mr. Hoover's unqualified pledge, when appealing for increased production, that "it is the whole Nation's responsibility to see that * * * a fair compensation is returned to the farmer for his labor and capital used in the production of food supplies, * * * The Food Administration intends, to the fullest extent of its power, through the influence of export buying, to maintain a price for animal products that will give a reasonable return to the producer."

And now this same Food Administration tells us that "a good many cattle feeders are losing money," with the cool assurance that the Food Administration will use its buying powers to prevent any advance in price, which can only mean that the Food Administration is determined feeders shall continue to lose to the last animal.

What a spectacle for a supposedly free people with an Army in Europe to be fed, and half of Europe, our allies in a horrible war, depending upon us for food? Will such a course continue to produce the food?

I repeat that it seems unthinkable that while the Government of the United States is engaged in a horrible war avowedly for democracy and justice, pleading for increased production on the ground that "Food will win the war," and with the assurance on every hand that the producer would be fairly dealt with—it seems unthinkable, I repeat, that the Food Administration would take this property at thousands and thousands of dollars less than the cost of the feed necessary to produce it, allowing nothing for labor, cost of feeding, nothing for equipment, nothing for profit, though the packers, through whom this meat is bought are allowed from 9 per cent to 15 per cent profit.

Very respectfully,

J. A. HUDSON,
Chairman Executive Committee Missouri Farmers' Association.

UNITED STATES FOOD ADMINISTRATION.
Washington, D. C., February 15, 1918.Mr. J. A. HUDSON.
Columbia, Mo.

DEAR SIR: Your letter of February 7 has been received.

My statement that the buying power of the Food Administration in beef was insignificant was entirely correct. England has been for a number of years getting her beef supplies from the Argentine Republic, and the exports of the United States have been insignificant. Beginning this year, however, the Food Administration has succeeded in getting the British Government to place some very large beef orders. The purpose was to relieve the freezers which were packed to the doors, and by this means to support the price of beef.

How long the Food Administration can influence the price of beef through these orders is entirely uncertain. It will depend on the amount of refrigerator space available for ocean transport.

You ask who fixes the prices of cattle, hogs, and sheep now that the Food Administration is in control of the packers. In the last analysis, now as always, these prices are fixed absolutely by demand and supply. The Food Administration might say to the packers, "Pay so much for beef, or we will take your license away." Such an edict would be a mere waste of breath. You can lead a horse to water, but you can not make him drink. The public is even now refusing to buy high grade beef and lamb because the prices are out of their reach.

The Food Administration does not hesitate to say that it intends to iron out the minor fluctuations of the market as far as it can control them, those up as well as those down. A dependable market is one of the fundamentals of a sound industry. As to the major swings of the market, either up or down, the Food Administration has no control, for they depend on demand and supply.

As to the regulation of packers' profits, you need setting straight. The Food Administration does not guarantee a profit of 9 per cent. Its regulation says that 9 per cent shall be the maximum allowed. If you will read the marked passage in the inclosed "Regulation of Packers' Profits," you will see why 15 per cent was set as a maximum for the specialty business of the packers. You should not keep alluding to 15 per cent as the allowed packers' profit, because the specialty business is absolutely distinct. It involves elaborate and highly scientific processes in its conduct and the profits made in it do not really belong to the meat business at all.

As to what I said about Government control of an industry involving an obligation toward that industry, in the case of the railroads if you are unprejudiced you will see that as the Government has taken possession of their properties, it must pay a fair rental value therefor. If the Government took possession of your farm for a training camp, it would have to pay you a fair rental for it. The cases are absolutely on all fours.

As regards the feeder of stock the Government has no such obligation at present. It has not taken possession of his property. Through a great calamity of nature the corn crop was subject to frost damage, and this damage the growers and users of corn have got to stand. It is true that Mr. Hoover did ask all farmers to produce as much as possible. Can't you see that it is unfair to use such a general admonition as a club over his head now? Do you consider that he thereby became an insurer against hail, drought, frosts, and poor farming methods?

At a meeting of the Southern Cattlemen's Association held at Little Rock, Ark., a few days ago, the writer heard a most sensible and excellent paper read by Prof. Burns, of the Texas Agricultural College, in regard to the cattle situation. Prof. Burns admitted that under war conditions cattle can no longer be stuffed with corn and sold at a profit, and came to the conclusion that this was entirely proper. The grain is more needed as a human food. In Italy a man who feeds corn to a hog is arrested. In Germany a man who gives a hog skimmed milk is arrested. The longer the war lasts the more we will have to approach such conditions as are reflected by these Italian and German laws.

Prof. Burns urged that the natural way to raise cattle was principally on roughage and pasture. He had figures to show that cattle raised in that way are still at profitable prices. You are still thinking in terms of profits and of business. You and many of the rest of us will have to learn to think in terms of sacrifice and of war as the war goes on.

Yours, very truly,

UNITED STATES FOOD ADMINISTRATION.
By MELVIN GREEN.

Mr. HUDSON. They not only did that, but urged it on the ground that if they would produce it would be the whole Nation's duty to see that they were fairly remunerated for their efforts.

The CHAIRMAN. Now, upon those assurances, and upon those appeals, did the live stock men respond?

Mr. HUDSON. Yes, sir; many of them would not have thought of it if it had not been for those assurances.

The CHAIRMAN. The increased production brought about by the encouragement on the part of the Food Administration and built up by the meatless days has caused an artificial overproduction, has it not? I mean, not an actual overproduction.

Mr. HUDSON. Well, sometimes they tell us there is an overproduction; sometimes they tell us there is not. It is pretty difficult for us to arrive at a satisfactory understanding of that proposition.

The CHAIRMAN. Then, whether there was an artificial overproduction or not, if the production had been only normal the meatless days would have had the effect of making the normal production to that extent excessive?

Mr. HUDSON. Certainly.

The CHAIRMAN. Because it cut down the demand. Do you not think that is a good deal like penalizing a man for being loyal and patriotic?

Mr. HUDSON. We feel that way about it, and that has tended largely to produce the unfortunate condition that now exists throughout the corn belt.

The CHAIRMAN. Now, what will be the reaction upon production in the future?

Mr. HUDSON. I think the consensus of opinion is that within a year there will be a very apparent shortage in the meat supply, although to increase or decrease the supply of beef requires considerable time. The propaganda that was begun for the increase in the production of hogs last year, together with the assurances that the hogs produced in 1918 would be marketed at a price per 100 pounds of pork equal to 13 bushels of corn, resulted in an effort on the part of a great many people to greatly increase the hog production. Along in the fall and during the winter months, when hogs were so much cheaper than they had been, a great many people became discouraged, and before their sows were too near farrowing thousands of them were shipped to market; so I am unable to say how much increased production there will be as to hogs.

The CHAIRMAN. Referring again to cattle, you say it takes some time for that to come about; but the first step in the process of reducing the production of cattle does not take very much time; that is, the excessive slaughtering of calves?

Mr. HUDSON. No, sir.

The CHAIRMAN. Have they slaughtered more than they would normally on account of the discouraging prospects?

Mr. HUDSON. I will say this, that the large majority of the cattle that have been marketed, even in recent months, were wholly unfit to be slaughtered.

The CHAIRMAN. Is it not singular that the price of that sort of beef is apparently high as compared with the best well-finished beef?

Mr. HUDSON. It is high. If good cattle were worth as much as we have always understood, compared with the poorer grades, the losses would be very much less.

The CHAIRMAN. I would like at this point to throw in the remark that the record at Omaha shows more pigs were marketed there last November than in any month in the history of the yards.

Mr. HUDSON. I want to say, Mr. Chairman, that some influence is now apparently reducing the price of corn very rapidly. Of course, I can not say that with corn the people are losing like they have been on meat production, but if this corn price is interfered with it is going to affect the production, very seriously.

The CHAIRMAN. You would favor, then, the fixing of a price on corn in the same way as on wheat?

Mr. HUDSON. Through some means or other, corn has been declining very rapidly in the last week.

The CHAIRMAN. What is the price now, Mr. Hudson?

Mr. HUDSON. Mr. Hoover, the Food Administrator, announced day before yesterday that corn had dropped to \$1.50 on the Chicago market; it has been from \$1.70 up to more than \$2.

Senator WADSWORTH. Mr. Hudson, are there many cattle brought into Missouri and put out on grass and finished in the summer time?

Mr. HUDSON. Well, there have been a good many, but I think there are few being brought in now.

Senator WADSWORTH. I was going to ask you how the demand for that class of cattle this spring compares with the demand last spring and the spring prior to that?

Mr. HUDSON. Well, the demand is not as good. That comes from two causes. In the first place, the packers are buying everything that a man would call fair feeders, and slaughtering them. That, of course, runs the price of feeders up so high that the people who have pastures are afraid to handle them. Then, of course, nobody knows what is going to happen, and the feeders are simply afraid to attempt to produce beef cattle.

Senator WADSWORTH. You mean the feeders and the men who own grass are fearful that some more meatless days may be ordered?

Mr. HUDSON. Yes; they are afraid. Besides that, nearly all of these cattle that are grazed on the Missouri pastures have to be fed more or less. They can produce them a little cheaper, considering the very little income from their pastures, but they are afraid even to do that.

The CHAIRMAN. Do you consider the killing of these cattle before they are finished economic, or not? I mean from the larger view of food supply, as to whether or not the extra beef put on by the extra feeding pays in the long run.

Mr. HUDSON. As to cattle, Mr. Chairman, I would say this. I am unable to answer from a technical standpoint as applying to immediate use, but it is certainly very bad policy considering the future. It results, as I have said, in running that class of cattle up so high that the feeders can not afford to feed them, because there must be a spread between the feeder price and the beef price. It costs now, I should say, from 25 to 35 cents to put a pound of beef on a steer; it probably will cost some people a little more than that, but it is a very rare case where a man can put a pound of beef on a steer for 25 cents. So you see there must be a spread between the price that he pays for his cattle and the price he sells them at.

The CHAIRMAN. We are very much obliged to you, Mr. Hudson.

FEBRUARY 27, 1918.

MR. TUMULTY,
Secretary to the President, Washington, D. C.

DEAR MR. SECRETARY: I beg pardon for intruding upon your time, which I know is more than occupied, but I venture to inclose herewith copy of correspondence which I hope you will deem of sufficient importance to lay before the President at a time when he can give some attention.

I feel like apologizing for the almost brutal bluntness of these letters, but I felt the administration ought to know exactly how the people affected feel, this being no time for mincing words. Hence I hope this near rudeness will be excused.

The farmers have been and are very earnest in their sympathy with and support of the President and the administration in the discharge of the almost unbearable burdens in which they are involved. But they do not feel they ought to be singled out to sacrifice at least a considerable portion of their product at an actual loss on the cost of production, while other lines of industry are accorded handsome profits, especially the packers, now under Government control, and through whom the meat product is handled; and also the manufacturers of farm machinery, from whom the farmer must buy farm implements at prices from 50 per cent to more than 100 per cent higher than before the war. Cost of labor has been advanced about 100 per cent and is very scarce, necessitating enormous investments in farm machinery at unheard-of prices, and on which great losses will naturally result after the war is over and prices come back to a normal state.

Of course, all farmers are not engaged in meat production for the market, especially beef and mutton, but a large per cent are, especially in the corn belt. All are more or less affected, and there are 7,000,000 of them. Certainly it would be unfortunate to have their enthusiasm in the support of the war dampened, but I fear that unless something is done quickly the present feeling that they are being treated unjustly, especially among feeders, will spread to disastrous proportions.

And it is not simply feeders who are suffering actual loss that feel disappointment, for wheat growers know that but for interference of the Government they would be getting much more for their wheat, but they also know the price fixed for wheat should, with anything like fair yields, return some profit. So they are inclined to forego what they might have had. But not so with the feeder. He is suffering actual loss and is entirely unsatisfied if not angered at the explanations and reasons vouchsafed in justification.

For instance, in addition to the suggestions contained in the correspondence herewith, Mr. Hoover, in a statement dated Washington, February 22, said:

"If the many people who have assisted us in the accumulation of exportable stocks of meat products during the three months, could receive the expressions of gratitude with which those shipments now are being received in Europe amongst the allies, they would feel amply rewarded for the sacrifices which they made and the animal raisers in the West would themselves feel that it has been an accomplishment for which the American people can be distinctly proud."

This, of course, has special reference to "meatless days," to which farmers do not object, except as used to depress prices below actual cost of production. On the contrary, "meatless days" are being observed with almost marvelous unanimity. Not an ounce of pork, and almost no wheat product, or sugar, if I may be permitted a personal reference, have been used as food in my home for months, and my home is by no means an exception in my neighborhood; nor do we object to providing meat for our suffering allies at cost, or even less than cost; yea, we could well afford to donate to them absolutely free their requirements, since they seem to get only from 3 per cent to 5 per cent of the output, if we were allowed a fair price for the balance of from 95 per cent to 97 per cent. But when we remember that Mr. Morgan, Mr. Rockefeller, Mr. Carnegie, Mr. Ford, and the packers, if you please, with handsome profits (this is the way plain people put it), and others who consume the remaining 95 per cent or 97 per cent, and who are certainly as able to pay a fair price for what they eat as are the producers to pay 100 per cent advance on cost of production, which they must pay to produce it—when we remember these are included in the semicharitable class of our allies, and get their portion of 95 per cent to 97 per cent, also at less than cost, the indignation of these producers who are called upon to make these sacrifices may be more easily imagined than described.

Feeling that these conditions will result unfortunately if not speedily corrected, and thanking you in advance for kind consideration, I am,

Yours truly,

J. A. HUDSON,
Chairman Executive Committee, Missouri Farmers' Association.

STATEMENT OF MR. WILLIAM HIRTH, PUBLISHER OF THE MISSOURI FARMER, COLUMBIA, MO.

The CHAIRMAN. Mr. Hirth, we will hear you now. Will you kindly state your name and address, and your advantages, if any, for knowing the condition that prevails among farmers as to production?

Mr. HIRTH. My name is William Hirth; I am publisher of the Missouri Farmer, at Columbia, Mo., and whatever advantage I have as to being acquainted with this subject, Mr. Chairman, comes from the fact that I am the publisher of a farm paper.

I have been so busily engaged in a conference we have been holding during the last few days with the Food Administration that I have not had time to prepare this subject as it ought to be prepared in order to cover it in as careful a way as I should naturally like to do, but I want to go over just what you might term the popular phases of this question, as I see it.

I think there was not a thinking farmer in the United States who did not from the very beginning view the whole question of fixed prices and interference with the normal law of supply and demand with a great deal of apprehension. On the other hand the farmer, like everybody else, is not in a position to question anything very much because, like every other class of citizen, he is intensely desirous to contribute everything he possibly can to the success of the war. In my judgment, however, if we were to enter upon an active policy of that kind there was only one excuse for it, even in the midst of the war, and that was to stimulate the production of those things of which we stood more in need than we did of other things.

Furthermore, if the policy was decided upon, I think it ought to have been put into effect with a good deal more deliberation and a good deal more care. To the average man who understands anything about agriculture at all, it looks a good deal as if whenever certain gentlemen in authority desired a result they approached the great, complicated machine of American agriculture and pulled the lever that they thought would produce that result, and when they wanted some other kind of result they pulled another lever or pressed another button, with the result that the whole tremendous machine of American agriculture is breaking its gears, and unless the policy changes very rapidly there is no question that we are going to find ourselves in the midst of some very serious complications.

For instance, as a case in point, when it became apparent that the Government was going to get into the wheat situation, I telegraphed to Secretary Houston and suggested to him that, although at that time the bill was just under discussion in Congress, I thought inevitably a number of weeks must pass before the legislation could be enacted, and that somebody at that time should outline what it was the Government expected to do, because I thought I saw the complications that were coming down the line. I forget exactly what the secretary said in reply, but the answer was such that I found no hope in the situation.

At the time I sent that telegram we were just about to commence the thrashing of wheat in Missouri, and what I had in mind was that through somebody authorized to speak for the Government the wheat farmers of the country should be told exactly what it had in view, that it was going to fix some kind of price, because then your buyer

would have kept out of the situation and the farmer would have known what was going to take place. But matters drifted, and active thrashing began, with the result that in a little while the millers and the grain buyers who had stood back indefinitely for a while, finally took the plunge and commenced to buy some wheat. In my town, Columbia, we have one of the most experienced grain men that can be found in the corn belt. That happens to be true, because this particular man served some years ago as president of the St. Louis Exchange. I talked with him frequently about it, and he did not know what to do, but farmers were coming in there imploring him to buy wheat, with the result that he finally turned loose. I do not recall at what the market opened, but I do know that at the time the price was finally established wheat was selling from the thrashing machine at \$2.40 a bushel or better. Now, the farmer who for any reason was not able to thrash his wheat as fast as his neighbor—because there were not enough thrashing machines in the country and there was not enough labor available—was simply caught, and he did not have a very good taste in his mouth about it.

However, the farmer has accepted the wheat situation. He has not liked the idea that it was done for his benefit, because he knows better. He realizes, however, the great part played by wheat in the war, and he is willing to make the best of a situation which certainly was not very adroitly handled, so far as he was concerned.

Senator GRONNA. The farmers in Missouri do not seem to realize, then, that the stabilization of the price of wheat was purely for the benefit of the farmer?

Mr. HIRTH. No; they have not seen that point yet, Senator, and I doubt whether they ever will be able to see it.

Senator GRONNA. Mr. Hirth, what do you think the result would have been if you had let the farmer alone?

Mr. HIRTH. You mean what the price of wheat would have been?

Senator GRONNA. Yes; and the result—the feeling among the farmers.

Mr. HIRTH. As I said a minute ago, I do not think there was one farmer in a thousand that wanted the Government to interfere with the law of supply and demand. With reference to the second question, of course I can only venture a personal opinion, but in my judgment, if the Government had kept its hands off of wheat it would be selling to-day from \$3 to \$3.50, and possibly \$4, per bushel. Mind you, I am not saying that the farmer insists on that profit, but I do believe if it had been let alone, that is where it would have gone.

The CHAIRMAN. If we had let it alone and it had gone to \$2.70, which would have been its ratio as compared with the other grains, do you not think there would have been a larger winter wheat acreage and a larger yield in 1918 than there will be?

Mr. HIRTH. Without a doubt; I do not think there is any question about that.

Senator GRONNA. It is your opinion then, as I understand you, that it would have stimulated production to have let the farmer alone?

Mr. HIRTH. I do not think it could possibly have had any other result, Senator. As further evidence of that, you will remember that in the early months of 1917 wheat went to \$3.40 per bushel. I think that answers that part of it absolutely.

Now, along about October the Missouri Farmers' Association—which I think I can say is the most vigorous organization of the kind in the corn-belt States at this time—challenged this whole program in a friendly way, bearing in mind the experience which we had had with wheat and the circumstances under which the price was finally arrived at; and further, in view of the fact that a meeting of live-stock producers had taken place here in Washington, at which, I believe, Mr. Hoover stated it was not his inclination to interfere with live-stock prices, we, through our board of directors, addressed a letter to the American National Livestock Association expressing apprehension about the whole situation, and we said to them that we believed it imperative that the farmers, of the corn belt particularly and of the country generally, arrive at a better understanding of the Food Administration.

That letter was immediately sent by the secretary of the National Livestock Association to Mr. Hoover. In that letter, on behalf of our board of directors, he recounted the wheat deal, and suggested that since we had apparently entered upon a price-fixing policy we ought to know just exactly what was going to be done with reference to hogs, cattle, and sheep, because they were at that time sending hundreds of young men from one end of the corn-belt States to the other, exhorting the farmers to feed to the limit and fatten to the limit; and said that we had a right to know just exactly what the Food Administration intended to do; what assurance, if any, it intended to give to the producer that he would be protected if he followed the program which was shouted from the housetops from one end of the country to the other.

After some days Mr. Hoover answered that letter, and in general terms he said this: That he realized that the farmer was entitled not merely to production cost, but a fair profit in addition, and that the powers of the Food Administration would be used toward that end. The assurance, of course, was not definite, but we had no choice for the time being except to take him at his word.

Shortly after that the Food Administration took over the control of the packing houses, and they had no sooner done that when an announcement was made in the newspapers to the effect that the packers would be allowed a net profit of 9 per cent upon the meat products and 15 per cent upon the by-products.

Senator REED. Nine per cent on each animal?

Mr. HIRTH. On each of their operations, as I understand it, Senator, during their control.

Senator REED. I beg the pardon of the committee for thrusting myself in here, but I would like to ask if you mean that was 9 per cent on the production or 9 per cent on the capital?

Mr. HIRTH. Oh, as I understand it, 9 per cent on the capital, undoubtedly. That is the interpretation of the Food Administration.

Senator REED. Then, how could it be 9 per cent on the meats and 15 per cent on the by-products? You could not divide it that way if you were going to pay it upon the capital.

Mr. HIRTH. Unless they have fertilizer plants and tankage plants, etc., separated in some way. I have never been able to understand how they could declare 9 per cent net on one part of their capital and 15 per cent on another part of their capital.

Senator GRONNA. Mr. Hirth, is it not possible it was 9 per cent and 15 per cent on the gross turnover of the business?

Mr. HIRTH. No; it is 9 per cent on the meat and 15 per cent on the by-products.

Senator GRONNA. Based on the capital stock?

Mr. HIRTH. I assume so.

The CHAIRMAN. Based on the capital stock. I was reading the bulletin this morning, Senator. It is 2½ per cent on the turnover.

Senator REED. Two and one-half per cent on the turnover? I have not examined the figures, but I undertake to say that 2½ per cent on the turnover would be 200 per cent on the capital stock. That is just a rough idea.

The CHAIRMAN. I can state this about it: The 2½ per cent on the turnover is only as to the smaller packing houses, those outside the big group of five. The big group of five average 2½ per cent on the turnover, with the limitation that it shall not exceed 9 per cent on the capital stock as to meat products and not exceeding 15 per cent on the capital stock as to special products.

Mr. HIRTH. By-products.

The CHAIRMAN. No; that is not quite the point. It is the specialties, the fertilizers, hides, and things of that sort, that are in no sense meat products. As to those, they got 15 per cent.

Senator REED. If you will pardon a suggestion from a rank outsider, is not this a good place to put in the Food Administration's circular as to what they did?

The CHAIRMAN. I think that is in the record.

Senator REED. The clerk tells me the one I have here has not been inserted in the record. It contains this statement [reading]:

It is essential that the smaller packer shall continue his operations to the fullest extent, and his earnings, in view of his risk, must be liberal. The system of regulation which restricts his earnings must be simple and easy to apply. After investigation and consideration it has been determined to permit the packers (except the five large packers whom we shall speak of in a moment) to earn an annual profit equal to 2.5 per cent of their total annual sales. This profit is to be net after expenses are paid; interest on money borrowed will be treated as an expense, but not Federal taxes, which the packer must pay himself out of his profits. Regulations will be so drawn.

Plainly, then, if a packing company had a capital of \$1,000,000 and had sales aggregating \$100,000,000, they would be allowed 2½ per cent on the \$100,000,000, or two and one-half times their entire capital stock. That is true of the small concerns—all of the concerns except the five large ones.

Now, the statement continues [reading]:

The five large packers stand in a different class. They have important and vital service to perform for the National Government in this war. Upon them rests the burden of preparing the bulk of the meat-food products which our allies and our armies require. They must become national agencies for war service. They are, with such help as we will require from the smaller packers, to be called on, month by month, for whatever meat products may be required at prices and in quantities approved by this division. For the reasons thus stated, and no others, it has been determined to treat these five concerns as a separate class.

After full consideration it has been determined that the meat business of the large packers will be subject, first, to the same restriction as the small packers (that is, 2½ per cent on the sales); and, second, to a further and additional restriction—that the total annual earnings of the large packer from his "meat business" shall be limited to 9 per cent on his average capital necessarily used by him in that business, including borrowed capital. This profit is to be net after expenses are paid, but the United States taxes, interest on bonds and borrowed money, and dividends may not be treated as expenses but must be paid by the packer out of his profit. If, however, the rate paid on borrowed money be over 5 per cent, such excess will be treated as an expense.

Of course, nobody can tell what this rate will be. Nine per cent on the capital used in a business is a very different thing from 9 per cent on the capital stock.

Mr. HIRTH. I am sure, however, Senator, that the idea that profits were to be based upon capital is the impression that has gone out to the country generally.

Senator REED. Exactly; but 9 per cent upon the capital employed means this: You have \$100,000 of capital in a business and you borrow \$5,000,000 and put it into the business. Now, this percentage is to be estimated, not upon the \$100,000, but upon the \$5,100,000.

The CHAIRMAN. Except that in that case they would only be allowed the difference between 5 per cent and 9 per cent; they would net 4 per cent on borrowed money.

Senator REED. Why, certainly. Under those circumstances, the prices being absolutely guaranteed—that is the effect of that, since they have the market and they have the prices fixed at both ends of the market—it pays profits that are simply fabulous.

The CHAIRMAN. Swift's capital stock is \$100,000,000; I have forgotten their surplus, but it is a good many millions. Their turnover last year was over \$100,000,000. Their profit we had here the other day.

Mr. HIRTH. Approximately \$34,000,000, I think, with about \$10,000,000 charged off for trimmings.

Senator GRONNA. One witness gave it as \$35,000,000.

The CHAIRMAN. Anyway, their net earnings last year were 23 per cent on capital and surplus.

Senator REED. I would suggest, Mr. Chairman, if you will let me make the suggestion—I will agree not to intrude again unless something extremely important arises—that you ascertain whether this circular has been put in the record, and if it has not, that it be annexed to Mr. Hirth's testimony.

The CHAIRMAN. Very well.

Mr. HIRTH. Returning now for just a moment to the assurance which the farmer was to have, every expression that we got from the Food Administration was to the effect that they were in thorough sympathy with the idea that the farmer should have production cost together with a fair profit, whatever they might have considered that to be. We kept challenging the situation, pointing out the fact that it was rather unusual that the packers, who certainly are able to take care of themselves—if there is an industry that is able to take care of itself, the record of the packers establishes the fact that they are—should have been taken care of so completely as that, without any assurance whatever to the man who toils in snow and rain and risks his little capital to put this stuff up to the point where the packer may make that profit. And, as I said a moment ago, every assurance, in general terms, was to the effect that the Food Administration would do everything in its power to see that the farmer or the feeder got a square deal.

The CHAIRMAN. I will also put in, in connection with Mr. Hirth's statement, the bulletin on hogs issued by Mr. Cotton, in which he said he was going to keep the price down to the consumer and going to see that the farmer got a profit.

Mr. HIRTH. I am sure the committee is familiar with the fact brought out by Mr. Heney the other day, to the effect that contemporaneous with those assurances Mr. Durand, on behalf of Mr. Cotton, was secretly delivering an ultimatum to the packers not to permit the beef market to go up. It is true that they explained that under certain terms; they said, I believe, they had pledged a certain order at a certain price. But the fact remains, Mr. Chairman, that it is certainly a most remarkable piece of duplicity. No other word can describe it. And I want to say to you—and I take the responsibility for this statement—that the confidence of the farmer has been absolutely destroyed in this situation. It could not be otherwise. For instance, he was asked to feed not only to the limit, but to put on all the weight possible, and, as was brought out in the testimony yesterday, no sooner had the farmers or feeders commenced to produce that sort of hogs and cattle than they found they were actually penalized.

Now, the farmer took that whole program in good faith in the beginning. In the first place, there are thousands of farmer boys on the western front to-day, and there are thousands more on the way. The farmer's heart is wrapped up in this war just as tenderly as the heart of any other citizen in the country, and he wants to produce to the maximum, and not merely because he considers it his patriotic duty, but because thousands of the stalwart farmers' sons of this country are involved and will be affected by that production.

Here is another phase of it: I do not think there is any other industry on earth that would not have questioned, perhaps somewhat brusquely, a policy and a nation-wide propaganda aimed to reduce the consumption of their products from one end of the United States to the other. The propaganda of the Food Administration, while entirely wholesome, and I agree, necessary—I am not protesting against the propaganda; on the contrary I have indorsed it in my paper in every issue where I have had occasion to discuss it, and intend to continue indorsing it, because I believe that conservation is absolutely vital; but the point I want to make is simply this: That here is a nation-wide propaganda, necessarily, it is true, but, nevertheless, intended to reduce and to pound down the demand for the stuff produced by the farmer, and I think that the least that the farmer could ask under those conditions is that he be extended some degree of protection, and that there be no question about the good faith back of that protection.

We are in the ridiculous attitude of, on the one hand, having barnstormed this country from one end to the other, asking the farmers of the United States to increase their production; upon the other hand, leading them to slaughter only slightly less than the animals which they ship to the various stockyards.

The CHAIRMAN. Conservation in so far as it means elimination of waste, the elimination of needless and unnecessary food stuffs. I think everybody would approve that. But you do not mean to encourage the meatless days when there is no occasion for it, do you?

Mr. HIRTH. I do not, Senator. I am just agreeing with the general idea, because I do not want to be misunderstood on it.

If you will permit me, Mr. Chairman, to get a copy of a publication from my coat which I failed to bring over here. [Obtaining the paper referred to.] This little interview was recently accredited to

Mr. Hoover. Whether it is authoritative or not I do not assume to say—I am simply taking it for granted because I got it out of a big metropolitan newspaper. Commenting on the general live-stock situation, the interview quotes him in this way:

If the many people who have assisted us in the accumulation of exportable stocks of meat products during the last three months, could receive the expressions of gratitude with which those shipments now are being received in Europe amongst the allies they would feel amply rewarded for the sacrifices which they made and the animal raisers in the West would themselves feel that it has been an accomplishment for which the American people can be distinctly proud.

That is going on the assumption that it does not make any difference, even though the farmer has lost in carrying out the program of the Food Administration, that he ought to reconcile himself to that loss because of the joy that it has caused across the sea.

Another thing that Mr. Hoover does not take into consideration, or did not when he gave out that interview, is the fact that, however beneficent our charity may be in Belgium, unfortunately the producers are in no position to discriminate between the charity that is needed over there and some of the charity that is not needed over here, because if we did rejoice in sending meat to the starving Belgians, the fact remains that John D. Rockefeller, Charles M. Schwab, Charlie Chaplin, and Henry Ford, and everybody else who could afford to pay a decent price for meat has been in a position to purchase it on the same terms as the conditions which brought the joy of which Mr. Hoover speaks.

The CHAIRMAN. Mr. Hirth, in the long run, do you not think the best service we can render the allies and their armies and our citizens and our Army is to secure an adequate and available and a continued supply?

Mr. HIRTH. Without a doubt, Senator, if what we have been thinking about food and its importance is even partially true; because there is not any sort of question but what we are headed for the ditch as the machine is running now.

During the last few days the various live-stock associations from Missouri, Nebraska, Kansas, Iowa, and Illinois, have been in conference, together with the Missouri Farmers' Association, with the Food Administration, about this general situation. Toward the latter end of the negotiations, I dropped out, speaking personally. They got some kind of a statement from Mr. Hoover, which no doubt the most of you have seen in the papers. Mr. Hoover said to a prominent Member of Congress some weeks ago, according to information which has reached me and which I think is entirely public, that while he conceded that the live-stock producers were perhaps losing some money, that, in his judgment the best way to correct that situation would be to reduce the price of corn. Now, in the first place, I dare say that, very conservatively, 80 or 90 per cent of the corn which will still be put into the feed lots from now until the end of this year was purchased by the feeders months ago and there is no earthly chance to affect them to any extent by now pounding the price of corn. Their corn is all bought and their money is invested. The only possible thing you can do is this: You can take away from the corn raiser the one bright spot in this whole situation. To put it in another way, it is attempting—I do not want to be misunderstood here now—I am not charging that the Food Administration has anything to do with the tumble in the corn market which has become

apparent during the last several days; I merely cite the fact that there is a tumble in the market and the fact that some days Mr. Hoover is quoted as having expressed that as his idea of the solution.

At the very best, that simply means trying to rectify one unjust thing by committing another unjust thing.

The CHAIRMAN. Do you not think it might have this effect, that if the price is pounded down and the feeders buy corn at the reduced price, they can break the fellow who did pay the higher price; they can undersell him?

Mr. HIRTH. They would undoubtedly have a marginal difference in their favor. But the point is, Mr. Chairman, that the big end of the feeders bought their corn months ago, because that is almost a universal custom. In other words, you are not going to help out the feeder by that process at all, unless you raise the price of his hogs and his cattle. But you will visit an outrage upon the poor corn raiser, who has been the one man during this last year who has gotten away in fairly good shape.

Nobody has got a right to say that corn has been at an excess price. These old formulas of comparing corn and wheat, and so on, do not necessarily hold good in this situation at all, because of the extent to which we are substituting corn for wheat. It is just like we said about wheat a little while ago. Corn is the one thing that has been let alone where the law of supply and demand has been allowed to operate; and I want to protest if there is an endeavor to now make the poor corn raiser—in which you take in every little poor tenant in the United States; and I want to say that, big as the outrage was during the recent months against the producer of hogs and cattle, that outrage would be ten times bigger.

Furthermore, it is again just pulling the lever—and I want it understood, of course, that I am not charging that the Food Administration has brought this about, except that Mr. Hoover expressed that as his idea of the solution.

Senator REED. Will you allow me, Mr. Chairman, to read into the record at this point a statement of Mr. Hoover as far back as November. I have just found it. It is dated November 24. It is in this circular we have been referring to. I do not know what interpretation may be put on this thing, but I will read it into the record for what it is worth:

As to one important group—dealings in the produce and food products other than meat—the Food Administration is already establishing control of profit and methods of distribution affecting all concerned.

It seems to me that comes mighty near including corn?

Mr. HIRTH. Yes. Now, with the vast amount of soft corn—

The CHAIRMAN (interposing). Before you pass on, I gather this—I have used the illustration, before, I think, during these hearings: The wheat farmer, at any rate, has been stung or bitten by the rattlesnake, or, it might be a moccasin, because he did not give any warning. It would be very little consolation to the wheat farmer, and effect very little improvement in the situation to let the rattlesnake sting the corn man, the rye producer, and barley producer. Is there any use of making this thing universal and placing them all upon an equality in the matter of misery?

Mr. HIRTH. No; because most of the wheat producers are corn producers also. It simply means making the thing more aggravated.

The CHAIRMAN. We have been picking the wheat farmers' pockets, but that is no reason why we should pick the pockets of the corn, barley, and rye raisers?

Mr. HIRTH. No. As I started to say, you have got the worst seed-corn situation you have had in many years. You can not, in the ordinary course of events, produce a great corn crop this time, because of your seed condition. And if now you add to that and take the heart out of the man who is right now in the field plowing for his corn crop, it simply means that the last thing that you can do to discourage the farmer has been done. It is all right if they do not need the meat and if they think they do not need the corn.

A man said to an inquiry over there the other day as to what would happen if the meat production should suddenly drop off to an extreme extent, the answer was made that the people would have to eat something else. But if you are now going to attack corn, after having destroyed or commenced the destruction of the hog and beef supply, you will not even have corn to eat; and I do not know what the next process of substitution would be. To sum up that phase of it: Never before in the history of the country has the farmer been confronted by the kind of labor conditions that confront him, not merely to-day, but that confronted him at the breaking out of the war, because when the war started back in August, 1914, and when our great steel mills and powder mills and railroads commenced to get into the game of producing munitions of war and war supplies of one kind and another, the average farm hand who had formerly been content to get \$30 a month and his board and lodging, found that he could get \$4 to \$7 a day in these different industries, and almost to a man they left. The question was asked at that time, what is the remedy? The whole thing resolves itself, in my judgment, into this situation: If Congress wants to safeguard the future food supply for the emergency of the war, which, of course, it does, then the time has come, Mr. Chairman, when it must pay some active attention to this situation.

The CHAIRMAN. Let me ask you one question, which answers itself, but I want to ask you as a practical man which you think is best for the Government—to prepare for a long war and have it turn out to be a short one, or prepare for a short war and have it turn out to be a long one?

Mr. HIRTH. I think we had better prepare for the long war.

The CHAIRMAN. I think that is the dominant idea of this whole situation as to policy.

Mr. HIRTH. There is no sort of question but what the farmer is utterly demoralized and confused at this situation as it now stands, and in my judgment the time has come for Congress—which is finally responsible—to take a hand. As to how you are going to take that hand, or how you can take it, that, of course, is a matter I do not profess to pass on.

As to what the remedy is, that, of course, in the last analysis is a matter which Congress itself must determine. In my opinion, if a commission of five men of the character that Mr. Wallace talked about yesterday could be appointed by the President, and if that commission were intrusted with the formulation of genuine agricultural policies, if it were permitted to talk over these matters with the Food Administration before the die is finally cast, I am sure it could be of

tremendous service. At least it would mean that no mistake would be made through ignorance.

The CHAIRMAN. Unless a mistake was made in choosing the personnel of the commission?

Mr. HIRTH. Yes. And if I may be bold enough to suggest it, Senator, I think one of the immediate needs is a few speeches in both the Senate and the House by men who understand the danger and the menace in this present situation, in order that Congress, as a whole, may realize that the time has come when the American farmer has got to have attention.

I thank you.

The CHAIRMAN. I think if the two branches of Congress were morally and intellectually free agents that that last suggestion might have some weight.

Mr. HIRTH. We are very much obliged to you, sir.

The CHAIRMAN. I will insert right here a copy of a pamphlet issued by the Food Administration entitled: "Regulation of Packers' Profits."

(The pamphlet referred to above is here printed in full as follows.)

UNITED STATES FOOD ADMINISTRATION, MEAT DIVISION.

Chicago, November 27, 1917.

The system to be adopted by the Food Administration for restricting the earnings of the packers means to abolish speculative profits and to prevent unfair profits, so that the prices of meat to the retailer and consumer may be stable and cheaper.

There are in the country hundreds of packing concerns, many of them small, which slaughter live stock and sell meat, but are not large enough or strong enough to carry great stocks, nor do they carry their manufacturing processes in connection with live-stock products to great refinements.

There are, however, five concerns relatively much larger, which have many establishments, storage plants, branch houses, cars, and facilities for nation-wide distribution. These large packers do carry out to great refinements manufacturing processes in live-stock products and allied products. Not only is their business more diversified and more stable than the smaller packers, but they carry at all times large stocks.

It is essential that the smaller packer shall continue his operations to the fullest extent, and his earnings, in view of his risk, must be liberal. The system of regulation which restricts his earnings must be simple and easy to apply. After investigation and consideration it has been determined to permit the packers (except the five large packers whom we shall speak of in a moment) to earn an annual profit equal to 2.5 per cent of their total annual sales. This profit is to be net after expenses are paid; interest on money borrowed will be treated as an expense but not Federal taxes which the packer must pay himself out of his profits. Regulations will be so drawn.

The five large packers stand in a different class. They have important and vital service to perform for the National Government in this war. Upon them rests the burden of preparing the bulk of the meat food products which our allies and our armies require. They must become national agencies for war service. They are, with such help as we will require from the smaller packers, to be called on, month by month, for whatever meat products may be required at prices and in quantities approved by this division. For the reasons thus stated, and no others, it has been determined to treat these five concerns as a separate class.

After full consideration it has been determined that the meat business of the large packers will be subject, first, to the same restriction as the small packers (that is, 2½ per cent on sales) and, second, to a further and additional restriction: That the total annual earnings of the large packer from his "meat business" shall be limited to 9 per cent on his average capital necessarily used by him in that business, including borrowed capital. This profit is to be net after expenses are paid, but United States taxes, interest on bonds or borrowed money, and dividends may not be treated as expenses but must be paid by the packer out of this profit. If, however, the rate paid on borrowed money be over 5 per cent, such excess will be treated as an expense. If the packer is compelled by the Government to make capital expenditures or undertake business for war service which is unremunerative, his earnings may be increased to such extent as is reasonable and fair under the circumstances.

The "meat business" (on the investment of which this 9 per cent is computed) will include slaughtering and all meats and meat products, fresh or prepared, and all foods which are mainly of animal origin. It will also include the operation of cars and marketing branches, and the business in all by-products of live stock, such as hides, wool, fat, bones, offal, and tankage, but not the "specialty business," which we shall speak of later.

Speaking generally, the "meat business" of the large packer represents about two-thirds of his total business and two-thirds of his investment. It is the packing business proper as it is usually conducted by other packing establishments.

So much of the business done by any packer as does not deal with the slaughtering of live stock or the products of slaughtered live stock or with food or does not use the distribution facilities of the packing business is not subject to these rules. The same is, of course, true of packing plants in South America and other foreign countries. Care will be taken to see that such outside business bears its fair share of expense. Apart from the foreign plants, such business is of small magnitude.

A substantial portion of the business of the five large packers has to do with (1) produce and foods not primarily of animal origin, and (2) with highly elaborated products containing more or less animal material such as soap, tanned leather, glue, and fertilizer. None of the second group are foods; none of them are in the charge of the Food Administration. These specialty branches of the packers' business have grown up gradually; some of them are operated as entirely separate businesses with only accidental relation to meat packing. Others are closely connected with it, either because live stock products enter largely into them or because facilities of the packing business are used for distribution of nonmeat products. In some of these specialty departments there are strong concerns entirely outside of the packing industry which are not now regulated as to profits under the President's proclamation.

It is obvious that the packer should be permitted to earn in these specialty branches a fair profit, but not more than other concerns in the same line of business, and that the Government should not limit the earnings of these specialty branches simply because they are carried on by packers. On the other hand, it is equally clear that any attempt to regulate the profits of the packing business must, if it be sound, make certain that profits of the meat business are not diverted to or concealed in the specialty departments. This is a matter which must in the future be taken up, department by department, for each concern.

It is my expectation that as to tanning, commercial fertilizer, and soap at least we will find methods by which these branches may be safely separated from the packing business and regulated in the same manner and to the same extent as other manufacturing concerns competing in the same lines. As to one important group—dealings in produce and food products other than meat—the Food Administration is already establishing control of profits and methods of distribution affecting all concerns. The packers will be subject to that regulation.

I am not willing to take the chance of leaving these specialties, which are so often closely connected with the meat business, unrestricted while the necessary investigations go on and the problems of regulation are solved. Therefore, I shall make a ruling which is only temporary: That on his specialty branches taken as a whole the large packer may not make a profit at an annual rate exceeding 15 per cent on his investment. The investment in the specialties will be determined and the rate ascertained in the same way as in the meat business. I have made this rate much higher than in the meat business for three reasons: First, that many of the specialties are not necessities like meat and not under the Food Administration; second, that in many of the specialties other competing concerns are making higher profits; and third, because the last thing the Food Administration wants is to discourage the elaboration of the manufacture of animal by-products. In the long run they reduce the price of meat.

The five large packers will not be permitted to use the profits of their specialty business to injure the small packers, nor will they be permitted to adjust pork prices at the expense of beef or mutton, or vice versa. This regulation of profits is not to be used as an instrument to permit them to encroach on the share of business done by the small packers.

The rates of profit as stated will go into effect as of November 1. In the case of small and large packers, detailed rules and regulations will be issued to define the principles here stated and to prevent diversion or concealment of profits. The packers' accounts will be subject to constant scrutiny.

The necessities of the war and public welfare may require frequent changes in these rules. This is not an unchanging constitution for the packers—it is the first step in regulation and a step taken because of the war and for war purposes.

392 INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

I am aware that there are wide differences in the nature of the business of different packers. I shall not therefore hesitate to make special rules for special concerns which may change their rates of profit.

The five large packers which compose the second class are Armour & Co., Cudahy & Co., Morris & Co., Swift & Co., and Wilson & Co.

The CHAIRMAN. If there is nothing further to-day the committee will now adjourn until Tuesday morning.

(Thereupon, at 12.10 o'clock p. m., the committee adjourned to meet Tuesday, March 19, 1918, at 10.30 o'clock a. m.)

INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE AND FORESTRY UNITED STATES SENATE

SIXTY-FIFTH CONGRESS

SECOND SESSION

RELATIVE TO

INCREASING THE PRODUCTION OF GRAIN AND MEAT
SUPPLIES OF THE UNITED STATES

MARCH 19, 20, 21, 22, AND 30, 1918

Printed for the use of the Committee on Agriculture and Forestry

PART 6

U. S. FOOD ADMINISTRATION

APR 16 1918

INFORMATION BUREAU LIBRARY

WASHINGTON
GOVERNMENT PRINTING OFFICE
1918

COMMITTEE ON AGRICULTURE AND FORESTRY.

THOMAS P. GORE, Oklahoma, *Chairman.*

GEORGE E. CHAMBERLAIN, Oregon.
ELLISON D. SMITH, South Carolina.
HOKE SMITH, Georgia.
MORRIS SHEPPARD, Texas.
JOSEPH E. RANDELL, Louisiana.
WILLIAM H. THOMPSON, Kansas.
EDWIN S. JOHNSON, South Dakota.
JOHN B. KENDRICK, Wyoming.

FRANCIS E. WARREN, Wyoming.
CARROLL S. PAGE, Vermont.
ASLE J. GRONNA, North Dakota.
GEORGE W. NORRIS, Nebraska.
WILLIAM S. KENYON, Iowa.
JAMES W. WADSWORTH, Jr., New York.

J. BOY THOMPSON, *Clerk.*

INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

TUESDAY, MARCH 19, 1918.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10.30 o'clock a. m., in the committee room, No. 326 Senate Office Building, Senator Thomas P. Gore presiding.

Present: Senators Gore (chairman), Ransdell, Thompson, Page, Gronna, Norris, and Wadsworth, jr.

The CHAIRMAN. Mr. Reid has a letter that he has asked to put in the record.

STATEMENT OF MR. HANK REID—Resumed.

Mr. REID. Several days ago, when I first testified, I spoke of retail butchers being controlled in such a manner by the packers that in some instances they were afraid to buy farmers' products direct; and in support of that I have a letter from Mr. W. T. Creasy, the head of the National Dairy Union and the master of the Pennsylvania Grange, which I would like to put into the record. Mr. Creasy was the candidate for lieutenant governor of Pennsylvania on the Democratic ticket. I mention this merely to show that the testimony has no trace of any partisan coloring, which I have endeavored throughout to steer clear of.

I will read that at this time if you wish. It is a short letter and covers the point thoroughly.

The CHAIRMAN. Yes; you may read it if you desire.

Mr. REID (reading):

Officers: N. P. Hull, president; H. J. Credicott, vice president; S. B. Shilling, treasurer; Wm. T. Creasy, secretary.

Directors: N. P. Hull, Dimondale, Mich.; H. J. Credicott, Freeport, Ill.; H. S. Johnson, Chicago, Ill., 1526 State Street; J. R. Morley, Owatonna, Minn.; S. B. Shilling, Chicago, Ill., 136 West Lake Street.

[Washington Office 86 and 87 Bliss Building.]

THE NATIONAL DAIRY UNION,
AN ORGANIZATION OF THE ALLIED DAIRY INTERESTS,
OFFICE OF THE SECRETARY,
Catawissa, Pa., March 11, 1918.

Mr. HANK REID,
Publisher the Shepherds Journal, Washington, D. C.

DEAR SIR: In reply to your inquiry relating to my experience in the sheep business, will say that for a number of years up to 1913 I kept sheep on my farm. I live within 30 miles of the populous anthracite coal fields of Penn-

sylvania. Yet I could find no market for my fat ewes, and in order to dispose of the sheep I had to load them on board of cars and ship them to Buffalo. And, at the same time, lots of mutton is used in these sections.

Small abattoirs have disappeared one after another, until hogs are the only meat animals that are slaughtered in the few remaining ones. The individual butcher of years ago is not much in evidence. He is supplanted by the meat dealer, who buys from the big packing houses; in fact, individual butchers who determined to do their own slaughtering were put out of business. In some instances goat's meat was sold for lamb and mutton. There was also more or less manipulation in the wool market. Another factor that hurt the sheep and cattle business was the propaganda started some years ago by the Beef Trust through the newspapers, that frozen meat was much better than home-dressed meat. At any rate, Pennsylvania, that at one time was a great sheep State, has lost its rank. Worthless dogs, perhaps, played a part, but I know that we went out of the sheep business because we could not sell them.

Respectfully, yours,

(Signed) WM. T. CREASY.

Senator PAGE. Mr. Chairman, I want to give the devil his due. The phrase "put out of business" there would seem to charge indirectly that the large beef abattoirs were viciously driving the small butcher out of business. I am a dealer in hides. I have been affected as adversely from the conditions that exist to-day as any man, I presume, because where I used to buy hides from a thousand and one butchers around the country my purchases have from that source practically become a negligible quantity. I do not personally regard that as a result of any vicious acts on the part of the abattoirs or the big packers. The facts are that the cattle buyer in my section buys his cattle, sends them down to the abattoir at Brighton or Watertown, in Massachusetts. There they cure the beef, and send it back in such a condition that it is more palatable; and it seems to me that perfectly legitimate causes have driven the small butcher out of business in our country towns, causes that he can not overcome, causes that are so natural that I look to see the local butcher eliminated more and more. And yet, bad as I have been hit by the condition, I should hesitate very much to say that there has been any wrong done by the men who slaughter these cattle at Boston, Brighton, or Watertown and send the meat back to us. The meat from there is worth as much more as it costs to freight it back and forth.

I think I would like to put that in the record in connection with this letter submitted by Mr. Reid.

The CHAIRMAN. I think, if they can judge the future by the past, the tendency will go on for the big ones to at least occupy the fields formerly occupied by the little ones.

Senator PAGE. That can not be helped. It is natural; it is legitimate. We have all got to yield to economic conditions; and those economic conditions, in my judgment, will continue to have their effect upon the small butcher until he is nearly or quite eliminated.

The CHAIRMAN. I assume, at least, as long as the big fish continue to swallow up the little fish. It may be economical for them. I do not know whether Mr. Creasy intended to indicate that the big packers strangled the small butcher or destroyed the receiver of the air pump and let them be smothered.

Senator PAGE. The words "put out" here would seem to carry with them the suggestion that the big packers were trying to wipe out and kill the small butcher. I think he is being killed by economic conditions.

The CHAIRMAN. That may be true.

The CHAIRMAN. The committee will now hear Mr. Cotton. Mr. Cotton, please state your full name, your post-office address, and occupation.

**STATEMENT OF HON. JOSEPH P. COTTON, CHIEF MEAT DIVISION,
UNITED STATES FOOD ADMINISTRATION, 405 PARK AVENUE,
NEW YORK CITY.**

Mr. COTTON. My name is Joseph P. Cotton; my post-office address is 405 Park Avenue, New York City; my trade is a lawyer.

The CHAIRMAN. What is your present official connection, if any, Mr. Cotton, and what have you been doing during the war?

Mr. COTTON. I am now an assistant to Mr. Hoover, and particularly in charge of the meat and provision buying; I think they call it the head of the meat division.

The CHAIRMAN. You were connected with the Shipping Board previously?

Mr. COTTON. For a long time I have been connected with some Government department. I was one of the counsel for the Shipping Board from almost the beginning of the war until sometime in July; I do not recall the exact date. I have been for several years the consulting counsel of the Federal Reserve Board. I have also represented the Government in Alaskan matters. The only one of those positions which has been continuous has been with the Federal Reserve Board.

The CHAIRMAN. Mr. Cotton, the committee is looking into the food situation in general and the wheat and the meat situation in particular. We desire you, I assume as head of the meat division of the Food Administration, to outline, if you will, the history of your administration and what course you may have adopted in regard to production or conservation or exportation of meat and meat products.

Mr. COTTON. I took over the work in October. I had studied it some time before I took it over officially. The first work was getting up a scheme of export buying which would work practically to get the meats ready for export and to the seaboard for export. In order to do that, we pooled the allied buying. Prior to that time, each of the allied nations had been buying on its own account. The result of that buying by each nation had not been satisfactory; not only had there been a lack of pulling together, but each nation had been trying to get what they particularly wanted, and, as usually happened, they were trying to get it at the same time. So that matters were rather at sixes and sevens. We pooled that buying, and then I made this arrangement that the allied nations would give their requirements in advance, as far as they could, and I would give those orders out to the packing houses as far in advance as I reasonably could.

In order to find out the method of distribution—which was roughly this—I got from the allied buyers a list of the Federal inspected packing houses, which they approved as satisfactory.

The CHAIRMAN. How many of those were there, do you remember?

Mr. COTTON. About 42. Altogether, not so many for beef. I standardized all of the specifications, so that instead of each man

coming in for a new specification for each month, he always ordered from a standardized list of specifications. We also standardized the method of packing and the method of marking. When I say "I" did those things, I do not mean I did them personally. But they were done under the meat division and in cooperation with the allied buyers.

And then an order would come along, and I would allot it—I have since taken charge—among the packing houses. I practically allot that business on a system that I found had been used by the various packing houses prior to that time in the export business, and gave them during that period substantially the proportions they had before. I did that particularly for two reasons: In the first place, I could not be giving that business by favor; I had to have some system, and it seemed to me that system was a wise one, because there were a number of packers, of which Morrill is the type, who have always been in the export business and are large exporters, having well-known good will on the other side and no domestic trade. If I took them out of the export business and forced them into the domestic business, they would have had to make new trade connections. So practically I have built that system up, allowing those who had the export business to continue with it.

The CHAIRMAN. You let the business pursue its normal course.

Mr. COTTON. As near as I could. In the hog-product business the large packers had a substantial share, but not as large as their share of the general business. In the beef business the large packers are the real people to look to, because no one else really is in shape to handle it—I do not say absolutely no one else, but the bulk of the beef business is done by the large packing houses. When I say "large" ones, I mean the ones who are known as the "five big" concerns.

Senator PAGE. Has the extent of your business with these packers been so large that you have become an important factor in fixing the price of beef products?

Mr. COTTON. If you will permit me, I would rather not answer that categorically. But I will be entirely clear about it—yes and no—I mean I am coming to it.

Senator PAGE. Oh, yes.

Mr. COTTON. First, that system was built. And then I got up a system for regulating the packers' profits. So far as I know, that is the first system of regulating the packers' profits. I do not claim perfection for it, because I know it is a long way from perfection. It has not had enough time to work out to know thoroughly how it will work, but it was a planned system, and should have the result of limiting the packers to the prewar normal profit, and, in the case of the big packers, about cutting their earnings in half; that is, speculative earnings of the prior year. My term begins November 1, 1917, for the regulation of the packers' profits.

During the preceding year the packers had made very large profits. It does not have any particular value, I suppose, applying adjectives to those profits. In a way, they were speculative profits; that is, they had bought the hog at the beginning of the year and held it, and by the time they sold it the hog product had gone up in value. That is rather strikingly shown if you take the inventory of one of the packers for, say, November 1, 1916, and then take his inventory a year later, and you will find the difference of value in the inventories,

of the constant inventory, is greater than the packers' earnings; that is, they had made a large part of their profits by the increase in value of the inventory, while they held it during the year.

The CHAIRMAN. Does that consist largely of what they had in cold storage?

Mr. COTTON. The largest element of that would be the hogs and the products which they held in storage in manufactures. It would not be the beef.

Anyway, I put in that system of regulation. In regard to the small packers, the profit limitation was practically this: The packers, I said, "are under this limitation: They must not make a net profit, before deducting taxes, of over $2\frac{1}{2}$ per cent on their turnover"; that is, their net profit is limited by $2\frac{1}{2}$ cents on the dollar of business done. That was the first general limitation, which applies to all packers. That is a fairly simple, fairly easily checked method of regulation. It does not absolute justice, but it is somewhere near it.

Senator PAGE. Did you take the inventory, for instance, on the 1st day of January and add $2\frac{1}{2}$ per cent to that inventory price, or did you go back and take the benefit of the economic advances? The general advance has been made because of the advance in the price of corn, in the feeding that you gave to the hogs, in the advance which the farmers got; in other words, did you deprive them of that natural and legitimate, as it seems to me, profit, or did you say, "Here, you take an inventory January 1, and from that inventory you may have a profit of $2\frac{1}{2}$ per cent"?

Mr. COTTON. Practically the latter, but not quite. This is the difference: I said, "Start November 1. Now, on every sale you make compute your total sales from now on, right through this coming year, and come out with a net profit of not more than $2\frac{1}{2}$ per cent on your total sales."

Senator PAGE. For the entire year?

Mr. COTTON. For the entire year, beginning November 1, 1917.

Senator PAGE. You took an inventory, as shown by their books, November 1, 1917?

Mr. COTTON. Yes. I had to draw a line somewhere, and I drew it on that date.

That, however, was not an effective method of regulating the large packers. But to the big packers we said something else. I said also, "You are under that $2\frac{1}{2}$ per cent limitation; also, you are under the further limitation that, as to your meat business, you shall not make over 9 per cent on your invested capital, including your borrowed money." That is not the only limitation. The big packer is subject to the same limitation as the small one, and also to this; so if the 9 per cent is lower than the $2\frac{1}{2}$, that is the limiting factor; if the $2\frac{1}{2}$ per cent is the lower, that is the limiting factor. As a matter of fact, the 9 per cent is lower by quite a bit. It will bring the big packer's earnings on his meat business down to somewhere around 2 or 1.9 on his turnover.

Senator PAGE. And from that is deducted the war-profit tax?

Mr. COTTON. No. They have to pay their own war-profits tax.

Senator PAGE. I say, from that level of profit they pay their war-profits tax?

Mr. COTTON. Yes.

Senator PAGE. Now, in that case, are their profits so large that the war-profits tax takes half of it or 40 per cent of it?

Mr. COTTON. No. The war-profits tax, you see, will be fixed on a similar basis of investment, and they will not have so big war-profits taxes. There will not be enough to pay it. The war-profits tax is a tax the rate of which goes up very much as your ratio to investment increases.

Senator PAGE. You made the remark that you allowed them to add to their capital borrowed money?

Mr. COTTON. It is 9 per cent on their actual capital invested, wherever they got it, whether it came stock, their borrowings, or somewhere else.

And, in regard to the specialty departments, the by-products departments, so-called, where the turnover is much less rapid, of course, I really did not have anything to do with that. But I had to put some top limit on it, because the most perplexing thing in the big packers' business is their transfers from their meat business to the by-products business. For instance, the typical case is that of hides, where they kill a steer and then carry their hide at a certain value from their meat department to their hide department. Obviously the meat business should be credited with the value of the hide. But, owing to their position in the hide market, owing to the fact that they are so large a factor on the hide market, if you will just let them transfer it at a value more or less placed by themselves your check of the meat business is not much good.

Senator PAGE. You are probably aware, Mr. Cotton, that the larger packers—Swifts and Armour—are not only large sellers of hides but they are among the largest tanners in the country?

Mr. COTTON. I have never failed to be surprised when I found those fellows cropping up in business after business.

So, in regard to that specialty business, I also put a top on it of 15 per cent on the investment, that being as near as I could come to a rigid rule that indicated prewar profits, which is the President's instructions.

Senator NORRIS. The hides and the other by-products were transferred from one department to another at a value fixed by them?

Mr. COTTON. The rules call for them to transfer at market value.

Senator NORRIS. Oh, yes.

Mr. COTTON. But, as a matter of fact, Senator, that is not as helpful a guide as might be.

Senator NORRIS. I should think that rule would give them an opportunity at a fictitious value so as to get 15 per cent rather than the 9 per cent profit.

Mr. COTTON. Yes; but recall this: There is some market on hides, not a very good one, but some, and you have really got to start somewhere.

Senator NORRIS. I realize that.

Mr. COTTON. It is sort of perplexing. What I thought was, to make them transfer at the market price, to put a limit on their meat at about their prewar profit, and then catch it at the other end by putting a limit on the specialty business somewhere near prewar normal. I thought I was doing what I could, at least, for a starter.

Senator NORRIS. The hide, of course, did not constitute the entire by-product. There are a good many other things.

Mr. COTTON. It does not constitute the entire by-product by a good deal, although the by-product is not the major part of the business in matter of value.

Senator NORRIS. Could you give us an idea as to the relative value of the by-products?

Mr. COTTON. Roughly, the meat value of the steer would be about two-thirds of the total business.

Senator NORRIS. I want to ask you about the 9 per cent profit. That was a 9 per cent profit on all their capital whether it was represented by stocks or bonds or borrowed money?

Mr. COTTON. I do not care where it comes from.

The CHAIRMAN. Would that include bonds?

Mr. COTTON. It would be 9 per cent on whatever money they had without regard to who owned it or where it came from.

Senator NORRIS. Did you investigate to find out what rate of interest they paid on their bonds and on their borrowed capital as distinguished from their capital?

Mr. COTTON. Yes; that is, I know it in a general way.

Senator NORRIS. Was that more or less than 9 per cent?

Mr. COTTON. Oh, less.

Senator NORRIS. A great deal less?

Mr. COTTON. The packers in years hitherto have been about the largest borrowers and have got about the best banking rate of anybody in the United States.

Senator NORRIS. About what rate?

Mr. COTTON. It depends entirely on years. They are paying now in the neighborhood of 6 per cent. That is very much higher than they paid heretofore.

Senator NORRIS. Your system would result, if they had a large amount of money that was invested that was represented by bonds or other borrowed capital, in giving them a much larger per cent on their capital stock?

Mr. COTTON. Oh, yes; you mean if they borrowed more and paid less it would increase the profit? Yes.

Senator NORRIS. I mean that the rate you would allow them by that system on their capital stock would exceed 9 per cent.

Mr. COTTON. Oh, my, yes; surely.

Senator NORRIS. Because you allowed them 9 per cent on borrowed money that they got for 6 per cent, which would give them 3 per cent profit on all borrowed money.

Mr. COTTON. There is no question about that; you are right.

Senator NORRIS. Do you know what dividends it resulted in giving them on their stocks?

Mr. COTTON. Nobody knows. We are now beginning the year; they are this year under profit regulation, and nobody can tell yet.

Senator NORRIS. Can you tell what proportion of the money was borrowed and what was the capital stock proper?

Mr. COTTON. Yes; I can. If you do not mind, I would rather give that to you privately.

Senator NORRIS. Yes; if there is any reason.

Mr. COTTON. Yes; there is a reason. I would rather give it to you in private.

The CHAIRMAN. Is it not shown in Bradstreet and Dun?

Mr. COTTON. It may be; I do not know.

Senator PAGE. Answering, in part, Senator Norris, the Armour 4½ per cent bonds have been selling at around 94 for a long time prior to the war. They have receded now, in the last year, to 84.

Mr. COTTON. That is still pretty high.

Senator PAGE. It is on about a 6 per cent basis.

Mr. COTTON. Their borrowings to-day are not far from a 6 per cent basis.

Senator NORRIS. It would be immaterial what the bonds are selling for on the market. The interest is fixed absolutely by the bond itself.

Mr. COTTON. I think, if what Senator Page says is indicative of their credit position, it would be about 6 per cent; but, understand, that that profit limitation makes concrete and definite their prewar normal, which is the instruction given, and that the—

The CHAIRMAN (interposing). Who gave that instruction?

Mr. COTTON. The President; that is a general instruction, not applied to this particular trade.

The CHAIRMAN. "Prewar," does that mean before the outbreak of the European war, or before our entry into the war?

Mr. COTTON. The outbreak of the war; not before our entering into it.

The CHAIRMAN. Mr. Cotton, if you find these stocks and bonds listed in Moody's Industrial Annual, for instance, I would be glad if you would put them in your statement. I imagine it would be exhibited, perhaps, in their own annual report.

Mr. COTTON. For any past period it would show easily.

The CHAIRMAN. I think I have it here in a magazine now.

Mr. COTTON. You would have it up until November, for any minute.

The CHAIRMAN. Would it be possible to put that in your statement?

Mr. COTTON. I could give you that probably now; they would be current rates; those statements would be varying half as much as their capital and surplus.

The CHAIRMAN. Of course, there would be no secret about the ratio of bonds to stocks outstanding?

Mr. COTTON. You can not make definite statements that cover every one; but, speaking generally, those concerns that are bonded, their bonds would be somewhere near half; their capital and surplus—the ratio would be somewhere near two to one. That is not a secret.

Senator PAGE. The bonds, Senator, do not cover all the debt by a great deal. Swift's a few years ago found the best banker they could get—I think he was a Kansas City man—and his business for years has been to float commercial paper with every bank in the country.

The CHAIRMAN. Little banks all over the country used to have Swift's paper—little bit of banks in the byways and hedges.

Mr. COTTON. Everywhere they sell products they have a bank account.

The CHAIRMAN. And that would all go into making up their capital, on which they are allowed 9 per cent?

Mr. COTTON. Just one thing on that before you pass from it. That 9 per cent, however, limits them, and also they are limited by the

limit on their turnover. In making any profit limitation I was trying to give them a definite rule as to what they could earn. That regulation is not, as I said, a perfect one, but it is the first one that has been created, and it is the first time that I know of that anybody really ever took anything away from a packer. I admit I have not got it yet, but I have got a plan for it.

The main work of the meat division has always been to see that shipments of goods got to seaboard for allied export. That work has gone forward, I think, on the whole, successfully. The amount of goods—meat and pork—which have been shipped have been greater than in any other period I have known of; and, speaking generally, the goods have moved successfully from the packing house, have got boats, have been adequately shipped, and there has been practically no complaint from the other side as to the goods.

The CHAIRMAN. Do you happen to have the figures with you, Mr. Cotton? We had a witness the other day whose statement indicated that the shipments of beef had been increased, I think, some 10 or 12 per cent, but that pork had been materially reduced?

Mr. COTTON. No; that is substantially an error. The particular orders placed at this time are at the rate of 200,000,000 pounds a month, which is very much greater than any preceding rate.

The CHAIRMAN. I will try to have that statement found and call it to your attention. I think it run from the 1st of July.

Mr. COTTON. From the 1st of July there might have been anything, sir. I am only in charge since the 1st of November, and the big increases have all come since the 1st of January.

The CHAIRMAN. I think it was 7 per cent from the 1st of July to January.

Mr. COTTON. That period would probably show a shrinkage. But since the time the system went into effect there has been a big increase.

It was very early evident that the amount of these pork purchases—

Senator GRONNA (interposing). Mr. Chairman, before Mr. Cotton goes into the amount of beef exported, I would like to ask him a few questions—

Mr. COTTON. Surely.

Senator GRONNA (continuing). In regard to the capitalization of these five big packers.

The CHAIRMAN. Yes.

Senator GRONNA. Can you give the committee approximately the total amount of the capitalization of what we call the "big five," Mr. Cotton?

Mr. COTTON. I might make errors, and I would rather give it to you precisely. For instance, I have some of those figures in my head: Armour would have a capital and surplus of \$160,000,000 and a bond issue—I do not know—it may be \$80,000,000 or \$100,000,000. Swift is not far from the same figure. Morris, Cudahy, and Wilson are very much smaller. I should think that the three of them would make one the size of Armour. And their general ratios are the same. I mean, the general ratio of bonds to stock is about the same.

Senator GRONNA. Will you kindly put the exact figures in the record if you have them?

Mr. COTTON. Yes.

Senator GRONNA. In speaking of surplus, they all have a large surplus. I take it?

Mr. COTTON. All these large concerns, excepting one, have a large surplus.

Senator GRONNA. Then, are they allowed to make 9 per cent on surplus?

Mr. COTTON. Sure; on any money they have, no matter where it comes from—I mean, without regard to what the source of it is at all.

Senator GRONNA. Of course, that would not necessarily have to mean any money; that would be only profits. Surplus is regarded as any additional money added to an institution. The banks, for instance, have a surplus, but that is only profit. The amount of money put in is the original issue of capital stock.

Mr. COTTON. It is not on that basis at all. The rules mean that the packers are to have 9 per cent on all the cost of the property, or value of the property that is there; it does not make any difference, from the point of view of that regulation, whether they got it by bonds or whether they got it by stocks, or borrowed it at the bank.

Senator GRONNA. And, of course, that includes abattoirs and their branch real estate?

Mr. COTTON. Surely, whether they got the money from stock issued, or whether they got the money from the public, or whether they got the money borrowed from the bank.

Senator GRONNA. You permit a man to take an inventory, and value their plant, and whatever money that plant is worth, together with any money that they may have borrowed, or any money they may use in the business, they will receive a profit of 9 per cent on that?

Mr. COTTON. Roughly; yes.

Senator PAGE. I think, Senator, you mean this: They take an inventory of their real estate wherever it is.

Senator GRONNA. I mean, of everything.

Senator PAGE. Of everything, of personal property—take an inventory of the cash balances; whatever is engaged in that business they foot up and get their 9 per cent upon it.

Senator GRONNA. Well, of course, only in a small way. But I think I have taken as many inventories as the average man, and when I asked the question I meant exactly what I said. If Mr. Cotton is allowing the packers to make 9 per cent on the value of their plants and on all the money they had invested, on all the money that they had borrowed—

Senator PAGE. The borrowed money is in their plants and in their inventory.

Senator GRONNA. Of course; it is not necessary to discuss that.

Mr. COTTON. Just one word on that. I am not putting it at that figure or any other figure, because I like it; I mean I am putting it at that figure under the President's direction.

The CHAIRMAN. What was the President's direction embodied in?

Mr. COTTON. It is embodied in a proclamation that they are to get the prewar normal profit.

The CHAIRMAN. Will you print that in connection with your statement?

Mr. COTTON. Yes. And my profit regulations are merely an interpretation of that principle.

Senator WADSWORTH. That is somewhat in conformance with the provision of excess war profits tax law, which permits a concern to earn from 7 per cent to 9 per cent on its capital invested before an excess-profits tax is deducted?

Mr. COTTON. Surely.

Senator PAGE. But, Senator, we are not permitted to count the borrowed money—

The CHAIRMAN. Nor bonds.

Senator PAGE. Of any private institution.

Mr. COTTON. That is quite right.

Senator NORRIS. That borrowed money would be profitable, of course, to the packer. If they borrowed money at a less rate than the profit rate, they would make a profit on every dollar they borrowed, and if they had to pay more they would, of course, lose.

Mr. COTTON. Yes.

Senator THOMPSON. Do you mean to say that on all money the packers borrow they are allowed 9 per cent?

Mr. COTTON. Surely.

Senator THOMPSON. If they borrow for, say, 4 per cent?

Mr. COTTON. Surely.

Senator THOMPSON. They are entitled to 9 per cent on what they borrow, regardless of what is done with the money?

Mr. COTTON. May I just say in regard to that, do not treat that as a question of right or wrong, or wisdom or unwisdom.

Senator THOMPSON. I say, is that regardless of what is done with the money?

Mr. COTTON. Surely, provided it is invested in the business.

Senator THOMPSON. That is what I want to know. Do you count that again as investment after it gets into the plant and allow them 9 per cent again on that?

Mr. COTTON. You mean, do I do it twice?

Senator THOMPSON. Yes; do you do it twice?

Mr. COTTON. Oh, my, no. I take an inventory of what I find. There is 9 per cent on that, and I do not care where it came from. It might come from borrowings, it might come from stock, or what they got in the past, I do not care.

Senator THOMPSON. What I want to get clear is this: If you found a note for \$10,000 upon which they had borrowed—

Mr. COTTON (interposing). I would pay no attention to it; I would never look at it, as to whether they got the money from a note or stock, or somewhere else.

The CHAIRMAN. They were, roughly, making about 9 per cent on their capital stock, bonds, surplus, and borrowed money?

Mr. COTTON. Before—

The CHAIRMAN. Before the war.

Mr. COTTON. Yes, sir; that represented roughly their prewar normal. It is no good telling a packer to keep to his prewar normal. I do not know whether you gentlemen know them, but that would not have been an effective command.

The CHAIRMAN. I think Armour made twenty-odd per cent on their capital stock.

Mr. COTTON. I do not know what they make on their stock.

The CHAIRMAN. I think Swift's last report shows 23 per cent.

Mr. COTTON. Really, it was more than that. I mean, that is before deductions for taxes.

The CHAIRMAN. I was looking over the figures yesterday. I think one concern made 33½ per cent.

Mr. COTTON. I think you have Swift in mind.

Senator NORRIS. I have before me here the financial statement of Swift & Co., and the profits for the fiscal year ending September 29, 1917, were dividends \$10,000,000, added to surplus \$24,650,000. That made a profit for the year of \$34,650,000. They had a capital stock of \$100,000,000 and a surplus of \$59,000,000; and they have some reserves.

Mr. COTTON. That is the report of the year ending September 28, I think.

Senator NORRIS. September 29. That is before you took charge.

Mr. COTTON. Before I took charge, a report I should hope not to see duplicated under present regulations; under present regulations they might come away with less than half of that. In our regulation there is not included their outside business, which does not relate to food or the business which is in foreign countries. The largest item of that is the South American investment of the packers, and those I am not attempting to control the profits on at all. They can make what they can make on that.

Senator GRONNA. May I ask another question, Mr. Chairman?

Mr. COTTON. Surely.

Senator GRONNA. In fixing the profits of 15 per cent on the by-products you said a moment ago that it was fixed according to the market reports. Of course the market reports will be issued by the subsidiary company?

Mr. COTTON. No; pardon me. I must have made an error, if I said that. The 15 per cent is on investment; not on their market reports at all. Fifteen per cent is their investment in specialty business, not at all on their market reports.

Senator GRONNA. The 15 per cent is based on what it cost the subsidiary company; is that right?

Mr. COTTON. No; the 15 per cent is figured on the amount of money invested in the subsidiary business, wherever it came from.

Senator GRONNA. Then you do not take for a basis the turnover?

Mr. COTTON. No.

Senator GRONNA. You simply take the capital stock employed and the borrowed money and any amount of money used?

Mr. COTTON. In the subsidiary company. For instance, these questions are all somewhat intricate, but the main reason is this: A packer will take his beef, and when the steer is killed there will be a turnover in regard to beef products within a few weeks, but the hide goes through a process and will not be turned over in six months, or eight months, or nine months, it may be. So, a profit based on the turnover of a manufacturing business of that sort would not bear any relation to prewar normals, and would not be a wise method of regulation—at least I should think it would not.

Senator GRONNA. You remember a few years ago, Mr. Cotton, it was charged, and I think an investigation was made, that when the packers turned over these by-products to the subsidiary company there was a wide spread. Have you investigated that, or do you take that into consideration at all?

Mr. COTTON. Entirely. In ascertaining the transfer value of the by-products, the packers must be carefully watched, and this limitation on the profit of the specialty department is in addition. It is simply to make a top lid, so if they fool you on transfer values they do not get away with it.

Senator GRONNA. In other words, you do not allow the packer to make any profit on the by-products?

Mr. COTTON. No, sir. I allow him to make his prewar profit on by-products. But I have put a lid on it—that is, the 15 per cent is a general lid on all his by-products. I do not like to say it is because we do not trust him, but because I want to watch him, 15 per cent on the specialty business, which is one-fourth to one-fifth as large as the meat business.

Senator GRONNA. Do I understand you to say that you allow the packers to make a profit on the by-products, and after the by-products are turned over to the subsidiary you again allow them to make a profit?

Mr. COTTON. No; not on the same stuff. The large packer will do a business—it is a complicated thing.

Senator GRONNA. I know, but—

Mr. COTTON (resuming). For instance, he will have the steer, and his accounting for his meat business will show what the steer cost him, and then he will turn over the hide to his specialty department, the leather department, and the leather department pays the meat department what he says is the value of the hide. All that is meat; that is, the hide value is a part of the meat business, and on that he gets only 9 per cent. But, then, the packer goes on and conducts, in some cases, the business of a tanner, and he has money invested in a tannery. Now, on his tannery he gets 15 per cent—on his tanning business.

Senator GRONNA. According to your statement, I am right when I assume that the packer makes the 9 per cent on the by-product—that is, on the hide, which I call “by-product”; and I presume he makes it on all by-products. And after it is turned over to the subsidiary company, the subsidiary again is permitted to make a profit of 15 per cent.

Mr. COTTON. But not on the hides. He makes the profits of 15 per cent on his tanning plant, which has nothing to do with the hides.

Senator PAGE. May I just have a word? The Lawrence Leather Co., of Boston, is perhaps one of the largest, if not the largest, firm of tanners of calfskins in New England. They buy their calfskins of the abattoir, or they buy them outside. Mr. Swift has said, “Each tub must stand upon its own bottom.” The large company may buy the hides or the calfskins of Armour & Co., or buy them of anybody else. They do not handle merely their own hides; they are not tanners of simply their own abattoir hides and skins, but they buy in the market. It is entirely disconnected; and if you will conceive that idea that “each tub must stand on its own bottom” and that the tanning company might buy wherever they can, it would simplify matters.

Mr. COTTON. They do.

Senator PAGE. Wherever they can buy cheapest. In that way you will get the idea pretty clearly fixed in regard to that problem.

Senator GRONNA. I think I understood, Mr. Cotton—and I do not want to take any more time—but I know how it works in a department store. We want each department “to stand on its own bottom.” But at the end of the year, if each department is permitted to make a profit, when we add it all together it will show a very handsome profit for the concern.

Senator PAGE. But the stockholders of the Lawrence Leather Co. are not the stockholders of Swift & Co. It is an entirely different corporation. It is true that the Swifts control 51 per cent of the stock; the other stock is divided among their employees, and it is a different corporation.

Senator GRONNA. It should not make any difference, Senator, who owns the stock. I do not think it would make any difference. I am trying to find out what it is going to cost the consumer, and what profit he is paying to the packer and to those who handle the meat.

Mr. COTTON. He is paying about prewar normal, as near as I can come to answering it, and there is no duplication of profit on those transfers. May I go on?

The CHAIRMAN. Yes, sir.

Mr. COTTON. Anybody looking at the amount of hog-meat purchases and lard purchases for the allied Governments in this market, even at the amount they were buying when this business was taken over, November 1, and more so now, would realize that the amount of products taken out is so big in proportion to the total consumption of the American people—and, what is more important, in proportion to the hogs coming to the commercial markets of the United States; and would further realize that the prices paid substantially affect and must substantially affect the price paid in the commercial markets for the live hogs.

The CHAIRMAN. You mean now, taken by the allies?

Mr. COTTON. The demand is so great, the amount taken by the allies, plus the amount taken by the Army and Navy, is so great that it does affect it. There is no question about it.

The CHAIRMAN. That is both on beef and pork?

Mr. COTTON. No. If you will let me, I want to take up hogs first.

The CHAIRMAN. Yes; I would be glad to have you do that.

Mr. COTTON. I realized that, I think, quite clearly in November. It is also true that the way in which prices have been made in the past has been, speaking generally, that the packer has bought hogs as cheap as he could and sold them as high as he could; and, consequently, when the runs were large in the winter there was also a tendency to slack the price of hogs, as when the market is crowded each one of these packers gets what he wants and the balance is slashed. It does not matter whether that is a plan; it is a fact. It does not matter whether it is done in concert; it is a fact. It is a method. So, it was very clear, whether we liked it or not, we could not help it. The allies would have been in the same position themselves if we were not in the situation. The allied buying must necessarily somewhat affect the hog prices for the rest of the market.

Feeling sure of that, knowing that that would be so, and also feeling sure that the hog was an absolutely necessary animal—when they tell us a hog is a “shell” they are telling something like the truth—I

called in a committee of producers that were as good as I knew—the list of them is here.

The CHAIRMAN. Will you give their names?

Mr. COTTON. There are two committees: A hog production committee, with Evvard, Butler, Skinner, and Funk—there are more of them who are well-known hog men. This was after a good deal of discussion. I wanted to find some way to stop the slashing of hog prices this winter, so that the people would go ahead and breed their hogs and fatten their hogs.

That committee filed with me finally a report, which is an admirable report; and they said, in order to make the hogs breed you have got to fix a minimum practically for the winter; and you have got to see that a ratio of corn and hogs is maintained for the hogs farrowed in the spring that come to the market next year.

That report I took and, in the main, adopted. I put it that way because I do not want to put too much responsibility on the committee, because I did not adopt it precisely. And I then said in a statement which was published that power of the export buying would be used to support a minimum of \$15.50 for the average of the packers droves on the Chicago market, which is a general base market, until further notice. I did not try to fix differentials all over the country. And that minimum I have urged the packers to support, and the price has not been below that minimum, and it did not go down to that minimum. It went one day awfully close to it; but that minimum has not been a maximum, and no man who studies the result of this year's markets can think it for a moment. For instance, hogs to-day are not within \$1.50 of that minimum, and they have not been anywhere near it but once.

The CHAIRMAN. Are they \$1.50 above that?

Mr. COTTON. Sure; \$1.50 above, or they were yesterday.

The consequence is that this winter's market has not done what markets have usually done—shown a tremendous slash. Now, that is the only instruction I have given the packers as to the hog market, excepting the effect that comes from the placing of orders for a product; in no other way have I touched the market.

That market has been very unsatisfactory in one way; that is, it has been unsatisfactory in that the prices have shown a good deal of vibration from day to day—more than usual. I have not in any way attempted to control that, for two reasons: First, I did not want to go in and run the packing business more than I could help; second, owing largely to weather the receipts have been enormously varying, sometimes a lot and sometimes very few. We tried to start a zone system in two of the big markets. In one of them it worked fairly well; in the other one not so well. That is, roughly, the policy as to hogs, and the only policy so far as there has been one.

The CHAIRMAN. On some occasions, I think, Mr. Cotton, the receipts have been practically the same.

Mr. COTTON. I do not doubt it, sir; I say that is where the market has been unsatisfactory. But the only directions have been the ones I have told you about, which have been in writing.

The CHAIRMAN. Will you attach those orders to your statement?

Mr. COTTON. Yes, sir.

Now, the corn ratio, which is also given in that statement, has not yet, of course, come into effect. In general, I have followed the lines that that producers' committee suggested, but I did not go so far as they wanted in all particulars. For instance, they said that the minimum should be \$16 for the winter; I said \$15.50; but, as a matter of fact, the price has been away above \$16. That is, I thought that the market actually would play quite a way above a minimum price.

Now, in regard to beef, there was also an advisory committee. The purchases of beef for the allies in November and at the beginning were very much less in tons, very much less in percentage of total product, and very much less in percentage of product coming to the central market than purchases of hogs. That is, there were four or five times as much hog meat bought as there was beef.

The CHAIRMAN. That is pretty generally true?

Mr. COTTON. It has been true in the past. The cattle committee, with which I advised, were very keen that I should keep my hands off the beef situation altogether. That, as far as they gave me advice, was their advice, and that was the policy I adopted. That is, I have not interfered in the beef market or given directions to the packers as to how to run their beef market, with the exceptions which I will now state.

We have let the allies choose the orders, the kind of beef that they would order, and so far as we could we have given them what they wanted. We have not been able to do that altogether, because we have to give the Army right of way, and we are not able to give them what they want in tinned beef. But, speaking generally, the allies have gotten what they ordered, and they have ordered a rather low-grade type of carcass, a carcass which has not been corn fed. There are two exceptions to that. When I came in in December there was quite a lot of carcass beef on hand in the freezers. I made arrangements with the allies to take that carcass beef very much as it stood in order to create a reserve supply on the other side, and they finally agreed to take that carcass beef if I could get it for them at a certain price, and it seemed to me wise to empty the freezers of that carcass beef and have an outlet. You understand, sir, that, speaking generally, the beef eaten here is not frozen, and all beef going abroad must be frozen, and that the packers do not usually keep a large stock of frozen beef, so that that frozen beef usually is bought not out of stock but to order.

I do not think that the allied orders up to date have been sufficient in volume largely to affect the cattle prices, excepting that they may have had the effect—as any demand has the effect—of somewhat stiffening the market for the lower or average grades of beef. For instance, if you will study the market for this year since November you will find the average cattle which the allies were buying keeping up very steady, with a slight tendency to go up, but not much; whereas you will find the better class of beef constantly going down. That is, the full-fed, corn-fed stuff has been going down from November until now, and the spread has been narrowing all the time.

The CHAIRMAN. That is true of lambs, too, is it not?

Mr. COTTON. I am not sufficiently familiar with the lamb market to give you an answer that would mean anything.

The allied orders have not been for the high-class beef, nor have the orders for the Army and Navy. Early in the winter I did per-

mit myself to say that full-fed beef was a war-time luxury, that probably would get into trouble. I made that statement to the cattlemen at their meeting, and it has been largely borne out by the course of those prices, and it was partly from my view of those prices that I made it.

About a month ago I started to get the allies to take some of the higher-grade beef if I could, simply as a matter of helping out the feeding situation, which I knew to be a difficult one. I have gotten some orders for that, which I think will give some temporary help to the feeder. But excepting in that case, where the allies have acceded to our wishes that they take a higher grade of beef, where we did it deliberately to help to get over a hardship of the feeders, and the other case where we got the allies to take the frozen stuff provided they could get it at a price, I have not interfered with the beef market.

But it is also fair to say in that connection that the indications of an increased demand on the part of the allies at the present time are so great that there is a good chance that the allied buying will become a factor in the beef market, as it is a factor in the hog market. To meet that time I have been getting up plans, which now are no more than in the plan stage, to do what is difficult to do, to get the Army and Trade Commission together and get in some producing elements, like the hog committee, with the idea of seeing that the effect of that buying on the market will be a stabilization of the beef market. So that I want to make clear that the indications are that some such plan, difficult as it may be and little as anybody wants it, will have to be followed, simply as a plain military necessity, to get that beef. All the voluntary conservation is only a drop in the bucket compared with the orders that the allies are talking about. That will not be a Food Administration matter. When you come to discussing the fixing of that price I do not think any man is wise enough to do it. So the plans were to get all the Government departments and the producers together. I am not hoping for an agreement with the producers; that is, nobody represents them now with authority to agree and bind them; but no such step would be taken without full consultation.

That, in general, is the work of the division. I want to impress upon you once more that the main work of the division is to get beef and hog meat on certain ships and going. That is the work of the division which must go on, no matter who gets hurt. Nobody means to be unfair, but that meat has got to go on and is going on. The amount going out is greater than ever before. It is actually going, and the ships leaving the seaboard in the last two weeks have carried a greater quantity than ever before.

The CHAIRMAN. Do you speak particularly of the allies, or does that apply to the Army as well?

Mr. COTTON. I have never done the Army buying in any degree, but I should say, and the Army agrees in this, that it is inevitable that the Army come practically to this system of buying.

Senator PAGE. Are your labors settling in any measure the question of price between the consumer and the producer?

Mr. COTTON. We are a sort of "buffer" between them. As to hogs, yes; our purchases in some degree affect the market. That was the

reason I got that production committee together and followed them on the minimum and tried to follow them on a corn ratio, too.

Senator PAGE. If your price is too low the farmer will complain, and if it is too high the consumer will complain?

Mr. COTTON. Further than that, sir, both sides do complain. I have not done that on beef, but I will say frankly the Government will come to doing the same thing on beef. It is not a question of price fixation or anything of the kind; it is simply the effect that the big buyer has on those markets, and it is perfectly idle to say that he has not an effect.

Senator PAGE. You are anxious to do as well as you can for our allies abroad, but in your endeavors to do that are you not likely to bear the price to the producer to such an extent that he is going to lose courage?

Mr. COTTON. If any action of mine brings in its train any such result it is a foolish and deplorable result which I hope we can avoid. I mean, it is just because of that that I say there will be no action on beef by the Food Administration that the whole Government does not join in. There has been no such action as to hogs, no action that the producer did not have ample opportunity to hear of and where his recommendations were not largely followed out. But remember, the falling off of the demand for the high-class beef, the juicy beef, is something that happens in war, and that is something that affects the producer of cattle, and it may be nothing can help him excepting direct Government action in the shape of subsidy or what not.

Senator GRONNA. Why should that apply to hogs?

Mr. COTTON. Why should what apply to hogs?

Senator GRONNA. They are paying less for heavy hogs now than they are paying for light hogs.

Mr. COTTON. At the minute the packer is paying less for heavy hogs than he is for the light hogs.

The CHAIRMAN. And that, notwithstanding there is a great demand for fats and the producers were encouraged to put on a good deal of fat?

Mr. COTTON. Yes. That has come about, in the first place, for this reason: All the hogs have come heavy, heavier than we ever knew them; some because of a damming back of the transportation, some because of a large supply of soft corn. The domestic demand for the lean hog, for the eastern trade, which wants lean breakfast bacon, is holding up the price of the light hog. That same demand is not holding up the heavy hog. The packers, as far as they are able, are buying the lean hogs at a premium, because they can sell them for more. That is not because of any direction of any governmental body that I know of; there is no direction about it. The point is not whether the light hog is carrying premium as opposed to the heavy hog; the point is whether the price of the heavy hog is unfair. Either we have got to go in and run that packing business altogether or else we have got to say it does not matter whether the light hog is too high or the heavy hog is too low.

Senator GRONNA. But it costs more to produce the heavy hog than to produce the light hog.

Mr. COTTON. Surely.

The CHAIRMAN. We have had evidence that the heavy, fat steer is selling relatively low as compared with the medium and poorer stuff.

Mr. COTTON. There is no doubt about it, sir.

The CHAIRMAN. And that the heavy, fat lamb is selling for relatively more as compared with the medium and inferior lamb, and that the heavy, fat hog is selling very low as compared with the medium and inferior stuff. Is not that an eccentricity of the market?

Mr. COTTON. That is an eccentricity of the market. I have just given you a reason for that as to hogs; the domestic demand for the light hog and lean bacon is keeping up the price of light hogs.

The CHAIRMAN. But it looks as if that would have been a constant factor heretofore.

Mr. COTTON. The difference is this, that in ordinary times there are a lot of lean hogs; to-day there are very few lean hogs, and the domestic demand for the lean hog sends up the price.

The CHAIRMAN. Would not that also be true as to beef?

Mr. COTTON. No; not at all, I should think.

The CHAIRMAN. Or the lamb business?

Mr. COTTON. The lamb business I have never had any relation to.

The CHAIRMAN. You see, we have had the same thing happening with respect to three products—beef, hogs, and lambs. That experience is in each case a deviation from previous experience.

Mr. COTTON. It is by no means necessary that it is due to a constant factor, sir. The fact that the full-fed cattle brings less in proportion than the average cattle, and that the spread is less, arises, I believe, practically from the fact that the very fat cattle are not economical and are not being eaten in war times. I do not want to commit the Food Administration to that statement; you ask me what my belief is, and that, I think, is the reason why the spread is less.

The CHAIRMAN. It is singular, though, that there would be three deviations from normal, all in the same direction—

Mr. COTTON. I do not think it is, sir.

The CHAIRMAN (continuing). And due to different causes.

Mr. COTTON. I do not know about the lamb situation, and I do not answer that. As to hogs and cattle, I think it is due to different causes.

The CHAIRMAN. Have you taken this into account, that while Chicago is your basis, both for hogs and for corn, in Oklahoma, say, which is my State, corn is a good deal higher than in Chicago and hogs a good deal less, which cuts the producer both ways?

Mr. COTTON. You can not make a general rule that will be fair to every producing State. You have got to have some effective rule. The condition that you speak of is a condition that exists; it has not existed all winter as to both ends of it. I do not know how you can control that condition unless the Government takes over corn distribution, meat distribution, and everything else, which is a thing that the Government has not attempted to touch.

The CHAIRMAN. Spare us that.

Mr. COTTON. Yes; that is my own idea. I should hate to see this Government go into that.

The CHAIRMAN. We will adjourn now until to-morrow at 10.30. I wish you would bring statistics on these points: The number of cattle, sheep, and hogs in the country, say, during the last five years

and the slaughter for each of the five years. Then, if you can, show the slaughter since the beginning of the war as compared with a similar period in preceding years—say, for some period last year as compared with a similar period the year before. The amount of stock on hand, in packing houses, and on the hoof. Also from the 1st of November the exports of beef and pork as compared with a similar period the year before.

(Thereupon, at 12 o'clock m., the committee adjourned until 10.30 o'clock a. m. to-morrow, Wednesday, March 20, 1918.)

INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

WEDNESDAY, MARCH 20, 1918.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10.30 o'clock a. m., in the committee room, No. 326 Senate Office Building, Hon. Thomas P. Gore presiding.

Present: Senators Gore (chairman), Page, Gronna, Norris, and Wadsworth.

The CHAIRMAN. The committee will come to order. Mr. Cotton, Mr. de Ricqles is here and has to leave, I believe, to-night. He wants to make a brief statement about the financial situation in the West. Would it inconvenience you if we should hear him now?

Mr. COTTON. Not at all.

STATEMENT OF MR. A. E. DE RICQLES, 819 SEVENTEENTH STREET, DENVER, COLO., PRESIDENT OF THE AMERICAN CATTLE CO. AND THE AMERICAN LIVE STOCK & LOAN CO.

The CHAIRMAN. Mr. de Ricqles, will you please state your full name and address and your occupation?

Mr. DE RICQLES. A. E. de Ricqles, Denver, Colo., president of the American Live Stock & Loan Co. and the American Cattle Co. I would like to take 10 minutes, gentlemen, if you will allow me, in connection with a financial matter that concerns production in the cattle and sheep business.

Our operations are in what is known as Federal reserve district No. 10, which includes Wyoming, Colorado, Nebraska, Kansas, and part of Oklahoma. We are in this situation: We are a producing district, especially so far as live stock is concerned, and in the spring of the year large numbers of cattle are brought into that district from Texas, New Mexico, and parts of Arizona, and are fattened for beef and for big beef animals in the fall of the year. In addition to that, the cattle that are in that district are largely fattened on grass. Therefore, in the spring of the year they are not available as meat animals. I take it you are all interested in the production of meat animals as a part of the war program. It is necessary, therefore, for us to be able to continue our operations throughout the grass season to make these cattle weigh 1,200 pounds in the fall rather than 800 pounds on the 1st of April or the 1st of May. I think that situation is familiar to all of you.

We are up against this sort of proposition. The Federal Government and all of us are particularly interested in the subscriptions to these liberty bonds. The West is very patriotic and desires to participate to the fullest extent in this subscription. However, we receive practically no benefit from the activities in the Government in the matter of purchase of war materials, such as munitions, uniforms, automobiles, flying machines, etc. Therefore, the money that is subscribed for the liberty bonds goes out of the banks and does not come back to us in the form of payments for these various Government purchases.

The idea now is that the banks are called upon for about 10 per cent of their available assets to subscribe for these bonds, which is fine if they can do so. But if this is accomplished, if the banks pay out this money and it leaves the country it means that the activities in fattening these cattle will be greatly decreased. The bond, therefore, practically defeats its purpose; that is, in our particular district.

Now, I am here to ask you if it is not possible for this influential and powerful committee in some way to work out a stand by which, in that district particularly, some of this money can be left in the national banks, as against bonds or otherwise, so that this normal cattle movement can be handled as in years past. Otherwise, I say to you frankly, a number of these cattle that will be maturing into condition will be sacrificed this spring, and your production this fall, when you really need it, will be curtailed. Witness the fact that the number of cars ordered for this movement, at this time I mentioned and the points I have indicated, is very much less than it was a year ago.

Senator PAGE. Is there not a constant stream of eastern money going to you on your cattle notes?

Mr. DE RICQLES. No, sir. A large number of the eastern bankers have advised us that we must look to the West to finance our cattle operations.

Senator PAGE. How long has it been since that movement stopped?

Mr. DE RICQLES. There has been a certain amount of paper bought by the eastern banks for western operations, but the movement of cattle paper at this time and for the last six months to eastern banks has been gradually growing less.

Senator PAGE. Is that because the banks have been putting their money into the liberty bonds?

Mr. DE RICQLES. Because the banks are, I think, engaged in financing a great many of these new undertakings.

Senator PAGE. Your paper is regarded as pretty good?

Mr. DE RICQLES. It is first class, and available for discount.

Senator PAGE. And you got a higher price from those to whom you sold than the eastern market warrants, so why should you not get the money?

Mr. DE RICQLES. Yesterday I was in a number of New York banks, such as the Commerce, the Chase, and the Guarantee Trust, and they all said there was a great scarcity of money, and they were getting ready for this liberty bond issue, and while they were ready and willing to take care of the paper they did have they did not want any new paper. That means it will be difficult to finance these new cattle.

Now, it seems to me one of the most important things we have to deal with in this country just now is to finance our meat supply. It is a normal situation, that happens every year, and if we are going to put the money into liberty bonds we are going to be short of funds to carry on this particular line of industry. It is a very serious menace.

The CHAIRMAN. Will you state again, Mr. de Ricqlès, just what your concrete suggestion is to meet this situation?

Mr. DE RICQLÈS. I ask the committee, Senator, if they will not in some way get in touch with the Treasury Department—pardon me for even offering a suggestion to your committee—and explain to them this situation, so they will understand that while Pittsburgh will be full of money and it will be all right to call on them for 10 or 15 per cent, possibly, of their stuff, with us it is entirely different.

The CHAIRMAN. The point I was getting at is that your suggestion does not involve any new legislation?

Mr. DE RICQLÈS. Not at all. Allow me to continue for just a minute.

The banks in the district I have mentioned have recently received a letter from the governor of the Federal reserve bank at Kansas City, in which he advised very strongly reducing loans. Of course, no man interested in a bank wants loans for things that are not necessary. We have curtailed every loan for nonessentials in which we are interested. But it occurs to us that possibly you could find a way for us to curtail some of this cattle paper. Out in our country we can not pay these cattle loans in the spring of the year in justice to our country and to ourselves. We just managed to get our cattle through the winter in fair condition. Mr. Lasater will confirm what I say. In the fall of the year these cattle become beef, and it just means the difference between a large supply of meat when we will need it as against nothing.

Now, there has undoubtedly been discouragement. The feeders have been discouraged this winter by the results they have had in the feed yard, in Iowa and elsewhere, and their operations undoubtedly have been unprofitable. I speak simply as a patriotic citizen, hoping that we can do something to encourage this beef production and take care of it, regardless of the cost. I do not think there is any man in the cattle business out West that is thinking of anything except his country. I know I can pledge them to the committee.

The CHAIRMAN. Was this suggestion that you mentioned by the governor of the Federal reserve bank at Kansas City, about curtailing loans, made without discrimination, or did it expressly relate to nonessentials or the less essential things?

Mr. DE RICQLÈS. My understanding is that cattle loans were mentioned as part of the opportunity holding and invest in bonds. At this time we find 90 per cent of the cattle business is done on borrowed money.

Senator PAGE. What rate of interest do the cattlemen pay?

Mr. DE RICQLÈS. Seven and 8 per cent.

Senator PAGE. They do not go as high as 12 per cent?

Mr. DE RICQLÈS. I have not seen a piece of paper in 20 years at 12 per cent.

Senator PAGE. I have.

Mr. DE RICQLES. Well, Senator, it would be a rare occasion.

I thank you.

The CHAIRMAN. Mr. Cotton, you may proceed.

STATEMENT OF MR. JOSEPH P. COTTON—Resumed.

Mr. COTTON. There was one thing I thought over yesterday, and perhaps I was not clear upon, and that is to say that the wool and the hides are part of the packers' meat business, and as such are subject to the 9 per cent restriction that we spoke of yesterday.

The CHAIRMAN. I thought you spoke of that when you mentioned hides.

Mr. COTTON. I was not sure that I was clear on that.

I have here the various papers for which you asked me, the Executive order of the President and the statistics of the crop estimate as to the number of live stock in the country as of January 1, 1918, comparing it with the preceding year.

(The Executive order referred to is here printed in full, as follows:)

EXECUTIVE ORDER.

I hereby authorize and direct the United States Food Administrator, in prescribing regulations for licenses under section 5 of the act of Congress approved August 10, 1917, entitled "An act to provide further for the national security and defense by encouraging the production, conserving the supply, and controlling the distribution of food products and fuel," and in enforcing and carrying into effect, so far as it relates to foods, feeds, and their derivative products, that part of section 5 which reads as follows: "Whenever the President shall find that any storage charge, commission, profit, or practice of any licensee is unjust, or unreasonable, or discriminatory and unfair, or wasteful, and shall order such licensee, within a reasonable time fixed in the order, to discontinue the same, unless such order, which shall recite the facts found, is revoked or suspended, such licensee shall, within the time prescribed in the order, discontinue such unjust, unreasonable, discriminatory and unfair storage charge, commission, profit, or practice. The President may, in lieu of any such unjust, unreasonable, discriminatory, and unfair storage charge, commission, profit, or practice, find what is a just and reasonable, nondiscriminatory and fair storage charge, commission, profit, or practice, and in any proceeding brought in any court such order of the President shall be prima facie evidence;" to find that a just, reasonable, and fair profit is the normal average profit which persons engaged in the same business and place obtained prior to July 1, 1914, under free competitive conditions; to indicate, if he shall see fit to do so, what margin over cost will return such a just, reasonable, and fair profit; and to take such legal steps as are authorized by said act to prohibit the taking of any greater profit.

WOODBOW WILSON.

THE WHITE HOUSE,
November 27, 1917.

(The statistics as to the number of live stock as of January 1, 1918, compared with the preceding year, are here printed in full, as follows:)

UNITED STATES DEPARTMENT OF AGRICULTURE,
BUREAU OF CROP ESTIMATES,
Washington, D. C., February 1, 1918.

The crop reporting board of the Bureau of Crop Estimates of the United States Department of Agriculture, from reports of its correspondents and

INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS. 417

agents, makes the following estimate of live stock on farm and ranges of the United States (1917 figures revised) :

| Farm animals. | Numbers. | | Values. | |
|----------------------|-----------------------------|-------------------------|-----------|-----------------|
| | Per cent of preceding year. | Total number. | Per head. | Aggregate. |
| HORSES. | | | | |
| Jan. 1— | | | | |
| 1918..... | 101.7 | 21,563,000 | \$104.28 | \$2,248,626,000 |
| 1917..... | 100.2 | 21,210,000 | 102.99 | 2,182,337,000 |
| 1916..... | 99.8 | 21,159,000 | 101.60 | 2,149,786,000 |
| 1915..... | 101.1 | 21,195,000 | 103.33 | 2,190,102,000 |
| 1914..... | 101.9 | 20,962,000 | 109.32 | 2,291,638,000 |
| 1913..... | 100.3 | 20,567,000 | 110.77 | 2,278,222,000 |
| 1912..... | 101.1 | 20,509,000 | 105.94 | 2,172,694,000 |
| 1911..... | 102.2 | 20,277,000 | 111.46 | 2,259,981,000 |
| 1910..... | | ¹ 19,833,000 | 108.03 | 2,142,524,000 |
| MULES. | | | | |
| Jan. 1— | | | | |
| 1918..... | 102.1 | 4,824,000 | 128.74 | 621,064,000 |
| 1917..... | 102.8 | 4,723,000 | 118.15 | 558,006,000 |
| 1916..... | 102.5 | 4,593,000 | 113.83 | 522,834,000 |
| 1915..... | 100.7 | 4,479,000 | 112.36 | 503,271,000 |
| 1914..... | 101.4 | 4,449,000 | 123.85 | 551,017,000 |
| 1913..... | 100.6 | 4,386,000 | 124.31 | 545,245,000 |
| 1912..... | 100.9 | 4,382,000 | 120.81 | 525,657,000 |
| 1911..... | 102.7 | 4,323,000 | 125.92 | 544,359,000 |
| 1910..... | | ¹ 4,210,000 | 120.20 | 506,049,000 |
| MILCH COWS. | | | | |
| Jan. 1— | | | | |
| 1918..... | 101.7 | 23,284,000 | 70.59 | 1,643,639,000 |
| 1917..... | 103.6 | 22,894,000 | 59.63 | 1,365,251,000 |
| 1916..... | 104.0 | 22,108,000 | 53.92 | 1,191,955,000 |
| 1915..... | 102.5 | 21,262,000 | 55.33 | 1,176,338,000 |
| 1914..... | 101.2 | 20,737,000 | 53.94 | 1,118,487,000 |
| 1913..... | 99.0 | 20,497,000 | 45.02 | 922,783,000 |
| 1912..... | 99.4 | 20,699,000 | 39.39 | 815,414,000 |
| 1911..... | 100.9 | 20,823,000 | 33.97 | 832,209,000 |
| 1910..... | | ¹ 20,625,000 | 35.29 | 727,802,000 |
| OTHER CATTLE. | | | | |
| Jan. 1— | | | | |
| 1918..... | 104.5 | 43,546,000 | 40.88 | 1,780,052,000 |
| 1917..... | 104.7 | 41,689,000 | 35.92 | 1,497,621,000 |
| 1916..... | 107.4 | 39,812,000 | 33.53 | 1,334,928,000 |
| 1915..... | 103.4 | 37,067,000 | 33.38 | 1,237,376,000 |
| 1914..... | 99.5 | 35,855,000 | 31.13 | 1,116,333,000 |
| 1913..... | 96.7 | 36,030,000 | 26.36 | 949,645,000 |
| 1912..... | 93.9 | 37,260,000 | 21.20 | 790,064,000 |
| 1911..... | 96.4 | 39,679,000 | 20.54 | 815,184,000 |
| 1910..... | | ¹ 41,178,000 | 19.07 | 785,261,000 |
| SHEEP. | | | | |
| Jan. 1— | | | | |
| 1918..... | 102.7 | 48,900,000 | 11.82 | 577,867,000 |
| 1917..... | 97.9 | 47,616,000 | 7.13 | 339,529,000 |
| 1916..... | 97.3 | 48,625,000 | 5.17 | 251,594,000 |
| 1915..... | 100.5 | 49,956,000 | 4.50 | 224,687,000 |
| 1914..... | 96.6 | 49,719,000 | 4.02 | 200,045,000 |
| 1913..... | 98.3 | 51,482,000 | 3.24 | 202,779,000 |
| 1912..... | 97.6 | 52,362,000 | 3.46 | 181,170,000 |
| 1911..... | 102.3 | 53,633,000 | 3.91 | 209,535,000 |
| 1910..... | | ¹ 52,448,000 | 4.12 | 216,030,000 |
| SWINE. | | | | |
| Jan. 1— | | | | |
| 1918..... | 105.7 | 71,374,000 | 19.51 | 1,392,276,000 |
| 1917..... | 99.6 | 67,503,000 | 11.75 | 792,898,000 |
| 1916..... | 104.9 | 67,766,000 | 8.40 | 569,573,000 |
| 1915..... | 109.6 | 64,618,000 | 9.87 | 637,479,000 |
| 1914..... | 96.3 | 58,933,000 | 10.40 | 612,951,000 |
| 1913..... | 93.5 | 61,178,000 | 9.86 | 603,109,000 |
| 1912..... | 92.7 | 65,410,000 | 8.00 | 523,328,000 |
| 1911..... | 112.8 | 65,620,000 | 9.37 | 615,170,000 |
| 1910..... | | ¹ 58,186,000 | 9.17 | 533,309,000 |

¹ Census report of numbers Apr. 15, 1910.

418 INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

N. B.—The number not on farms, i. e., in cities and villages, is not estimated yearly, but their number in 1910 as reported by the census was: Horses, 3,183,000; mules, 270,000; cattle, 1,879,000; sheep, 391,000; swine, 1,288,000. The census of 1910 also reported 106,000 asses and burros on farms and 17,000 not on farms; 2,915,000 goats on farms and 115,000 not on farms.

Following changes in farm animals compared with January 1, 1917, are indicated:

In numbers, horses have increased 353,000; mules increased 101,000; milch cows increased 390,000; other cattle increased 1,857,000; sheep increased 1,234,000; swine increased 3,871,000.

In average value per head, horses increased \$1.39; mules increased \$10.59; milch cows increased \$10.96; other cattle increased \$4.96; sheep increased \$4.69; swine increased \$7.76.

In total value, horses increased \$66,319,000; mules increased \$63,058,000; milch cows increased \$278,388,000; other cattle increased \$282,431,000; sheep increased \$238,338,000; and swine increased \$599,378,000.

The total value on January 1, 1918, of all animals enumerated above was \$8,263,524,000, as compared with \$6,735,612,000, on January 1, 1917, an increase of \$1,527,912,000, or 22.7 per cent.

The increase of 4.5 per cent in numbers of all "other cattle" is due to an increase of 4.2 per cent in calves; 22.7 per cent in heifers for milk; 8.5 per cent in other heifers; a decrease of 3.2 per cent in steers, and an increase of 1.9 per cent in other cattle (milch cows not included). Swine over six months old increased 4.5 per cent; those under six months increased 7.8 per cent.

LEON M. ESTABROOK,
Chief of Bureau.
NAT C. MURRAY,
G. K. HOLMES,
FRANK ANDREWS,
S. A. JONES,
Crop Reporting Board.

Approved:
CARL VROOMAN,
Acting Secretary.

Mr. COTTON. I think that those are Department of Agriculture figures. You are in general familiar with the method of making them.

The CHAIRMAN. Would you give that as to hogs and cattle, please?

Mr. COTTON. According to that statement, milch cows are 23,284,000 on January 1, 1918, as against 22,894,000.

Other cattle are 43,546,000 on January 1, 1918, as against 41,689,000, as in 1917.

Sheep, 48,900,000, January 1, 1918, as against 47,616,000 in the preceding year.

Swine, 71,374,000, January 1, 1918, as against 67,503,000 the year before.

The CHAIRMAN. Right there, Mr. Cotton, there is a great deal of discrepancy. The Department of Agriculture estimated on September 1, 60,000,000 hogs, and the 1st of January, 71,000,000. Somebody referred the other day to that 11,000,000 as being "providential" hogs. That would not come under your control, would it?

Mr. COTTON. I only have to do with the killing and shipping of live hogs.

The CHAIRMAN. You have not made any investigation on your own account to see how that could happen, have you?

Mr. COTTON. I think these statistics I have given you are the only statistics there are on live stock in the country.

The CHAIRMAN. What I was trying to get at is how you would account for this sudden leap of 11,000,000 hogs from September to January, four months?

Mr. COTTON. The forces of the Department of Agriculture are enlarging. I assume that the present figures are more nearly accurate than any other. I have not any explanation of that discrepancy. Undoubtedly a great many more cattle came to the market last year than the year before, and less hogs. There is no doubt about that.

The CHAIRMAN. The number went up. But the point I had particularly in mind was this: This statement of September was 60,000,000.

Senator WADSWORTH. Mr. Chairman, what statement was that?

The CHAIRMAN. It was a statement, I think, issued by the Department of Agriculture.

Mr. COTTON. The Department of Agriculture made the statement that there was sixty-odd million stock hogs September 1.

The CHAIRMAN. Senator Wadsworth, this statement was made that that was 5,000,000 less than there were in the country on September 1, 1916, and then, on September 1, 1916, speaking from memory, there were 8,000,000 less than on September 1, 1915, being a falling off of a very considerable per cent in the hog supply of the country, and on that falling off the Department of Agriculture and the Food Administration both made their drive for increase of production, based on this low estimate and this falling off, which was, of course, alarming, and the estimate of the hog committee was that thirteen and three-tenths times the value of a bushel of corn would be allowed for a hundred pounds of live-weight hogs would be necessary to restore the hog production to normal and that fourteen and three-tenths would be necessary to get the increase that was desired.

What have you to say about that, Mr. Cotton? The country, as I understand it, took that estimate of 60,000,000; they acted on the advice of the Government about stimulating production and fattened their hogs. They took that in good earnest and acted on it. The result which followed was that this 71,000,000 estimate and the failure to maintain the ratio was a falling off in production.

Mr. COTTON. There is not any quick method of answering that, Senator. There is, of course, a large number of hogs that were coming to the market last fall for slaughter that would have been in the ordinary case slaughtered which went back to the feeders again, which was new. But there is no answer to the state of facts you put in the sense that I can lay my hands on the hogs. You understand, all of these matters are matters of estimate; that you are not dealing in any of these estimates with precise figures until you come to figures of slaughter. There you get precise ground.

Senator NORRIS. Mr. Cotton, in relation to that hog increase from January 1, 1917, to January 1, 1918, can you give the committee any information as to the weight of the hogs? Your statistics would apply only to the number?

Mr. COTTON. Those statistics apply to the number, but I have independent statistics from the actual stockyards operations. The hogs coming to this market at this period are, roughly, 30 to 40 pounds heavier than they were a year ago, or than was usual.

Senator NORRIS. You mean that the hogs in January, 1918, were heavier hogs than the January, 1917, hogs?

Mr. COTTON. If you will make it March and February——
 Senator NORRIS (interposing). I used January because you used that as to the date you gave the numbers.

Mr. COTTON. In January that was not true, but in February and March it was true; it was not so much in January.

Senator NORRIS. I have been told that the hogs in January, 1917, while the statistics show they were less in number than in January, 1918, that they would probably weigh more pounds.

Mr. COTTON. That is broadly true, without any question.

Senator NORRIS. In 1917?

Mr. COTTON. In 1917.

Senator NORRIS. 1917 and 1918?

Mr. COTTON. Oh, no. They weigh much more in 1918; and that difference in weight, as I say, in February and March, has got up to 30 or 40 pounds. For instance, the February figures, as I recall them, were 30 pounds, and now it is still higher.

Senator NORRIS. If that be true, the increase of that many more pounds would be equivalent to an increase in numbers?

Mr. COTTON. Obviously, and from a national point of view and a shipping point of view, it is just as good to have hogs 10 per cent heavier as it is to have 10 per cent more hogs.

Senator NORRIS. Oh, yes.

The CHAIRMAN. Is that true, Mr. Cotton, from a producer's standpoint?

Mr. COTTON. Yes; pretty nearly; not as to every producer.

The CHAIRMAN. They claim these heavily fattened hogs are being discriminated against now.

Mr. COTTON. That we spoke of yesterday. It is quite true that the light hogs to-day bring the higher price, but the answer is there are almost no light hogs. There are few light hogs; the great mass of the hogs are heavy; that must be so, or there could not be any such gain of averages as 30 or 40 pounds.

The CHAIRMAN. With reference to these heavy hogs that you are referring to now, there are three causes that affect that condition. One is that a good many feeders acted on the advice of the Government to fatten very heavily; another is the shortage of cars and the fact that they could not move the hogs to the markets when they were really finished, but had to keep on feeding them.

Mr. COTTON. There is a third cause that also operated——

The CHAIRMAN. There is another cause, and I would like to mention that, which is their having marketed a great many head of brood sows.

Mr. COTTON. No; I would not be inclined to think that was correct. Nobody can speak with absolute authority on these things, but the figures of marketing show something. The most precise figure is the dockage for piggy sows, and that shows no particular increase—some increase. Another cause which should be considered in addition to that is the immense quantity of soft corn in the country which could come to market practically only in the shape of hogs and cattle.

The CHAIRMAN. That adds to the shortage of cars and accounts for a great deal of it?

Mr. COTTON. With those things you have the picture, I think.

The CHAIRMAN. I have two statements on which I based that statement about the heavy sows: One is from Mr. Stull, of Omaha, who stated that there were more hogs marketed in the Omaha market than in any month in the history of the yards; that notwithstanding the increased number of hogs the weight of the whole market was heavy—averaged out heavy. He stated that was due to the heavy sows.

The other basis on which I founded my remark was a statement which has been made here that in my State they made a survey of the hog situation through the county assessors and they found a falling off in the number of hogs in the State of about 25 per cent—that is, there were found to be about seven sows for nine farms—and the witness further said he had taken an inventory of the hogs in the Oklahoma City yards and had found many cows which have not yet dried up.

Senator NORRIS. I want to ask you, Mr. Cotton, if that does not explain the apparent discrepancy between the figures given by your department and the testimony of men who claim that the sows are being marketed in a piggy condition?

Mr. COTTON. This evidence comes from the dockage on account of piggy sows when hogs are sold in the market.

Senator NORRIS. If they were not piggy, the records of your department would not show anything about it, would they?

Mr. COTTON. No; I do not think that evidence is final, but I do mean that if there were any great marketing of brood sows over the whole district you would be pretty sure to find it reflected in the dockage records. Of course, it is not conclusive, but I mean it is a pretty safe place to look. You will find, however, that there is always in these or any other figures a big variance in the yard you are talking about; that is, you will get in districts which have difficulties with their feeds, and there you will find the piggy sows coming up, and that would be particularly true of the more western districts.

The CHAIRMAN. I have heard this explanation for the failure of an increased showing as to piggy sows: You know a sow has to be several weeks advanced before they dock them anything.

Mr. COTTON. Yes, sir.

The CHAIRMAN. I have understood the farmers were rushing to the markets sows that would be piggy before they had reached the point where they would be commercially docked as piggy.

Mr. COTTON. A sow would be pretty piggy by February. It is awfully hard to get a correct estimate. And I should say, speaking generally, that the Department of Agriculture's figures are better than the hunch that a man gets from a number of isolated instances of marketing of brood sows.

The CHAIRMAN. Even though that were true, the discrepancy of those 11,000,000 hogs has kind of shaken my faith in their figures.

Mr. COTTON. I think the way to treat those figures is not to treat them like real hogs, but to treat them as showing tendencies; and that is the main result one would draw from them.

The CHAIRMAN. You accept, in the main, the part of the figures showing that there were increases of sheep, hogs, and cattle January 1, 1918, as compared to January 1, 1917?

Mr. COTTON. An analysis of the cattle figures there on the face of them does not show that increase, particularly in the beef cattle. It shows the increase in the milch cows and some other places. You would expect, I think, at a time like this and in war to begin to see a falling off of the live stock to some extent anyway.

The CHAIRMAN. That has characterized other countries?

Mr. COTTON. And other wars, I think.

Senator GRONNA. Speaking of the increased weight of hogs, Mr. Cotton, you have reference, of course, to the whole country, or have you records from the different terminal markets?

Mr. COTTON. I am only speaking of that increased weight at the terminal markets. The minute you go outside the terminal markets in your figures of slaughter or weight, or anything like that, you are in a realm of guesswork.

Senator GRONNA. You have no reference to the terminal markets, such as St. Paul?

Mr. COTTON. I can refer right now to Chicago, which showed 30 pounds greater in February, and they tell me now it is 40 pounds.

Senator GRONNA. That is right in the corn country.

Mr. COTTON. It would be pretty typical.

Senator GRONNA. I think you would find, especially for the months of November and December—I would not say about January—that the shipment of hogs to such markets as St. Paul the weights were much lighter. A lot of immature hogs were shipped in there. I saw thousands of them when I visited the yards myself.

Mr. COTTON. And yet, do not be misled on that, because a study of the weights shows a constant increase in weights in practically all the markets. Those immature hogs to an extent that has never happened before which went back to fatten. The figures of the hogs that came in lean and went out to the regions where they had feed is one of the most significant things of this winter's business, something that never happened before in any such volume. For one week, for instance, I found there were over 90,000 of such pigs ready to fatten went out from the central markets.

The CHAIRMAN. Did you have the same figures for the preceding year?

Mr. COTTON. Yes.

The CHAIRMAN. What was the result?

Mr. COTTON. Practically none the year before and 90,000 for one week at the end of last year.

The CHAIRMAN. There was an effort made by the Department of Agriculture and the Food Administration to increase the production of hogs?

Mr. COTTON. There was a very distinct drive under the authority of the Department of Agriculture.

The CHAIRMAN. And you issued a statement encouraging an increased production of hogs?

Mr. COTTON. We might very well have done that. We wanted the hogs. But it was the Department of Agriculture's business.

The CHAIRMAN. That was on the 3d of November?

Mr. COTTON. I have certainly told my people that.

The CHAIRMAN. I would like to have that statement read.

(Mr. Thompson, the clerk of the committee, thereupon read as follows:)

UNITED STATES FOOD ADMINISTRATION,
MEAT DIVISION,
Chicago, November 3, 1917.

Joseph P. Cotton, Chief of the United States Food Administration Meat Division to-day issued the following statement relative to the prices of hogs:

The main purposes of the Food Administration as to hogs are four: To see that the producer at all times can count on a fair price for his hogs, so that it will be profitable to him; to see that the farmer increases the number of hogs bred; to limit the profit of the packer and the middleman; and to eliminate speculation.

All these purposes are necessary, because we must have more hogs, so that the ultimate consumer shall at all times get an adequate supply of hogs at the lowest feasible price.

We shall establish rigid control of the packer. Fair prices to the farmer for his hogs, we believe, will be brought about by the full control which the Food Administration has over the buying of the allies, our Army and Navy, the Red Cross, the Belgian relief, and the neutrals, which together constitute a considerable factor in the market.

The first step is to stop the sudden break in prices paid for hogs at the central markets. These prices must become stable so that the farmer knows where he stands and will feel justified in increasing hogs for next winter. The prices, so far as we can affect them, will not go below a minimum of about \$15.50 per hundredweight for the average of the packers' droves on the Chicago market until further notice.

We have had and shall have the advice of a board composed of practical hog growers and experts. That board advises that the best yardstick to measure the cost of production of the hog is the cost of corn. That board further advises that the ratio of corn price to hog price on the average over a series of years has been about 12 to 1 (or a little less). In the past, when the ratio has been lower than 12 to 1, the stock of hogs in the country has decreased. When it was higher than 12, the hogs have increased. The board has given its judgment that to bring the stock of hogs back to normal under present conditions the ratio should be about 13. Therefore, as to the hogs farrowed next spring, we will try to stabilize the price so that the farmer can count on getting for each 100 pounds of hog ready for market thirteen times the average cost per bushel of the corn fed into the hogs.

Let there be no misunderstanding of this statement. It is not a guaranty backed by money. It is not a promise by the packers. It is a statement of the intention and policy of the Food Administration, which means to do justice to the farmer.

Mr. COTTON. No doubt that is my statement.

The CHAIRMAN. Yes; you commented on the latter part of it yesterday. Have you made any investigations to ascertain whether the farmers engaged in feeding hogs this last season have been realizing profits or costs?

Mr. COTTON. Oh, yes. I have been constantly seeing farmers' cost sheets and watching farm prices.

The CHAIRMAN. Have you accepted the ratio—I believe you did last fall, as I remember—that 13 to 1 was about reasonable?

Mr. COTTON. Oh, no; that is very much more than a reasonable ratio.

The CHAIRMAN. The reason I asked you that is I understood you had insisted on that ratio as a fair one.

Mr. COTTON. Oh, no. Why, that ratio, I should think it would show, as to the hog committee's advice, a very handsome return to the farmer, a stimulative return.

The CHAIRMAN. I believe the stimulative return up to November was 13.3.

Mr. COTTON. No; I would prefer to refer to the report on that. I think you are wrong.

The CHAIRMAN. Have you it there?

Mr. COTTON. I have it here.

The CHAIRMAN. As I remember, their statement was that 11.67 times a bushel of corn per 100 pounds of live-weight hogs was cost—the statement by Wallace Everhard.

Mr. COTTON. The commission finds that the approximately equivalent value of 12 bushels of No. 2 corn is necessary to produce 100 pounds of average live hogs under average farm conditions. While hog production for the 10 years ending 1916 has been maintained at a ratio of 11.67 corn to 100 pounds of hogs, we believe that when all the lists are taken into account it is doubtful whether there has been a profit on hogs on this ratio on the average.

The CHAIRMAN. I think you will find that their recommendation was that 13.1 would restore the production to normal and 14.3 would raise it to the desired increase.

Mr. COTTON. I think that is their finding.

Senator GRONNA. But that ratio is based upon a certain grade of corn.

Mr. COTTON. No. 2 corn.

Senator GRONNA. Now, has the fact that we have been having a lot of soft corn been taken into consideration this year? Of course, the only corn that has been sold and fed, practically, I suppose, has been soft corn.

Mr. COTTON. The actual corn that has gone into the hog has been soft corn.

Senator GRONNA. I understand that corn has been sold on the market containing as high as 40 per cent moisture.

Mr. COTTON. Oh, all sorts of corn have been marketed.

Senator GRONNA. That would mean, of course, that it would require more bushels, and if you base your figures on that soft corn and the price that is paid for that soft corn, it seems to me that injustice might be done to the producer in that way.

Mr. COTTON. The feeding value of the soft corn is much less than the feeding value of the hard corn, of course. But if you read that report as a whole you will also see what that committee recommended was a minimum be held of \$16 for the present crop, they recognizing quite well that nobody could attempt to put the 13 ratio in force at once, and they recommended the minimum of \$16 to be put on for that meat period.

The CHAIRMAN. Up to February 1?

Mr. COTTON. I do not remember their limit about that. May be you are right, though.

The CHAIRMAN. The evidence before the committee, Mr. Cotton, and the other evidence that I have had, indicates that those who have been fattening hogs this winter have been taking a loss on them.

Mr. COTTON. You have heard a good deal of that. There are a lot of people pretty well satisfied with hog prices.

Senator PAGE. In Oklahoma they claim they have even been obliged to use wheat for feeding hogs.

Mr. COTTON. I do not suppose there has been an enormous amount of wheat feeding. There is a general feeling that it is wrong to feed wheat, and I do not think there has been an awful lot of it done.

Senator PAGE. Some representative for Oklahoma was here and made the statement that the Oklahoma farmers could better use their wheat for feeding hogs than to sell their wheat and feed corn.

The CHAIRMAN. They could not get as much for their wheat as they had to pay for corn during a part of the time.

Senator GRONNA. You think that is very small in amount, do you not, Mr. Cotton?

Mr. COTTON. I really do. It is very sad if it should happen at all. But it is small in amount.

The CHAIRMAN. The Council of National Defense for Oklahoma estimated that there have been 30,000 bushels a day fed.

Senator NORRIS. That feeding of wheat has not been confined to Oklahoma, but has existed over the country.

Mr. COTTON. It is just one of those things—you hear rumors everywhere about it.

Senator NORRIS. Senator Wadsworth has some information about it, I think.

The CHAIRMAN. Mr. Cotton, if it takes 12 times the price of a bushel of corn to make 100 pounds of pork, how are they making money, when they have been paying as high as \$1.60 and \$2 for corn?

Mr. COTTON. The bulk of the farmers' corn which has been put into hogs has not been \$1.80 corn, or anything like it.

Senator PAGE. About what has it been?

Mr. COTTON. Those figures are hard to tell with accuracy. The Department of Agriculture reports for January, I think, something in the neighborhood of \$1.35.

Senator GRONNA. What market?

Mr. COTTON. That is the general average. I suppose that means railroad market. You will find during all this winter the corn price on the Chicago market a high one, up in the sort of figures we have been speaking of, which has been largely caused by the difficulties of transportation.

The CHAIRMAN. It has been higher out in Oklahoma and Kansas than it has in Chicago.

Mr. COTTON. Yes; and a great deal lower in other portions of the corn belt than Chicago.

The CHAIRMAN. I think there could not be any doubt that where a farmer raises a hog and raises his corn and feeds his own corn to his own hogs, possibly, by allowing no overhead charges and no wages, and taking what he could get for the corn and hogs, he would have money when he sold the hogs.

Mr. COTTON. That is a pretty moderate statement. I take it that there is no question that the corn farmer who could market his corn got a perfectly good price this winter; that would be my judgment. And the marketing of that corn through the live stock has not been as advantageous to him as marketing it through sales to the terminal markets.

The CHAIRMAN. That is the point.

Mr. COTTON. That is true also.

Senator PAGE. Is there not an advantage in feeding their corn to the hogs in order to keep up the fertility of the farm, even though they were getting a little less price in that way? I know that is so in the East.

Mr. COTTON. A great portion of the corn must be marketed in the shape of live stock—I mean the commercial corn that comes to the market is relatively a very small per cent of the total corn.

Senator PAGE. They do not feel the need of keeping up the quality of the soil in Oklahoma as we do in Vermont. In Vermont we have got to do it or our farms will soon become unproductive.

The CHAIRMAN. In Oklahoma they do not yet.

Mr. COTTON. Not yet. I think that is a sound answer. The real stimulant is keep up your minimum price. That is the way to stimulate. The production committee recommended a stimulative ratio—they said 13.3, or something like that, and I discounted it and said 13 flat. But that does not go into effect at all, according to that statement, except for the hogs farrowed in the spring.

The CHAIRMAN. Is it your intention to try to maintain that ratio?

Mr. COTTON. Now?

The CHAIRMAN. Yes.

Mr. COTTON. I had not thought of it, sir. You mean to-morrow, we will say, or the next day?

The CHAIRMAN. I mean for the hogs farrowed this spring.

Mr. COTTON. Sure; that is what I said. Whether I can do it or not is another question. But certainly that statement is as flat as I could make it.

The CHAIRMAN. Have you worked out any plan by which you intend to try to do that?

Mr. COTTON. What I intend to do, as far as I have any influence, is to put that buying at a figure that will reach that result on the whole. That does not indicate, nor did I think of trying to make that a promissory note to the individual farmer in every community. There is no such inference, I think, from the statement.

Senator PAGE. Mr. Cotton, are you conscious that in your own adjustment of these matters you are not trying a little more to help the allies across the water than you are to help the farmer who produces?

Mr. COTTON. I am conscious of this, very clearly—and if I am wrong I want to be corrected—my first job is to get meat abroad; that has got to go whoever is hurt. The second job is, so far as I am able to affect that market by the price I pay—when I say “I” it is not I, but the department. I mean to live up to the promise to that producer, and I do not agree that the hog prices have not been on the whole pretty good. I think the hog prices have not been bad this winter.

The CHAIRMAN. There has been very little profit.

Senator PAGE. We have had individual after individual, who has come from the West, who insists that in some way or other this matter is working out so that the farmer is being injured, and unduly injured, by the arbitrary fixing of prices by yourself and those connected with you.

Mr. COTTON. In the first place, may I stamp on that right now, that there has been no arbitrary fixing of live-stock prices? I do not mean to do it; I do not want to do it; and I hope neither I nor anybody else will ever be put in the position to the packer to say “Pay this,” because the day I get in that position that is the day when we become entirely responsible for this live-stock market.

Senator GRONNA. Mr. Cotton, how has it been possible to maintain a price of \$15.50? Has that been done by certain regulations

prescribing what weight hogs or what weight cattle must be bought? You certainly have accomplished that result.

Mr. COTTON. It certainly has not. The packers would not agree to that statement. So, they being unwilling to agree to it, I made it. Now, I said to them, "That is my statement and that is my policy. I am going to put in all the buying orders I can give to support that statement, so that you will be in a position to pay that money." And so far not only has that been done, but that has not been a maximum, but has been really a minimum. Hence, we find, for instance, the hogs from \$17 to \$17.65 on the Chicago base market.

The CHAIRMAN. You state, Mr. Cotton, as your first purpose, to keep the meat moving to the allies.

Mr. COTTON. Yes, sir; that is my first purpose.

The CHAIRMAN. Of course, you have got to maintain the supply. The object of first concern would be to maintain production, and unless you maintain production you would be cutting down the tree that bore the fruit.

Mr. COTTON. Any policy that does not maintain production—not necessarily to a present standard, but to a wise standard—because you must expect some falling off, and you will get it whether you expect it or not; and any policy which does not look to maintaining production is, of course, a foolish policy.

Senator GRONNA. It is fatal; it is more than foolish.

Mr. COTTON. It is anything you want to call it. It is as bad as it can be.

The CHAIRMAN. Isolated instances would not count. But I have a communication from a man who raised hogs who had lost 40 cents a bushel—

Mr. COTTON. Wait just a minute—

The CHAIRMAN. Please wait until I finish my statement, and then you can comment upon it.

Mr. COTTON. Beg your pardon.

The CHAIRMAN. Another statement is that upon his hogs he had lost \$100 on the corn fed into them. Another man from Omaha, a broken there and who takes a great deal of interest in the business and who has been a very close observer, writes me that with hogs selling for what they are worth to-day he has received \$4 less a hundred pounds than the hogs would cost to put on the hundred pounds of weight as corn was quoted that day in Omaha. Of course, these two farmers who wrote me I did not attach so much importance to their statements, because a hundred factors would affect that, but this statement from Omaha of the average lost based on the quotation of hogs that day and the quotation of corn that day, with so many quotations from farmers, however isolated, led me to think that maybe a good many farmers were losing money on hogs.

Mr. COTTON. You will find, of course, people losing money. I should have said that the prices on hogs were remunerative during the past winter, and I should think that is right. If you mean, has the farmer been able to obtain through the marketing of the hogs the same price for his corn which he would have gotten if he could have gotten it to the terminal market, I am with you without a minute's reflection. He has not.

The CHAIRMAN. Then that has been a losing operation?

Mr. COTTON. No; it does not follow to that conclusion for one moment.

The CHAIRMAN. He may have made a profit, but he could have made a higher profit, so he was losing the margin of profit, whatever it was.

Mr. COTTON. With that I quite agree. Not many of the farmers have been able to market through their hogs the corn at the same prices indicated by the terminal market for corn at the same time.

The CHAIRMAN. Have you some of the cost sheets with you that you referred to awhile ago, showing the profits on hogs at current prices?

Mr. COTTON. I have not, sir. For instance, the various people who have been before me—many of them—left their cost sheets with me for analysis.

Senator PAGE. Speaking broadly, can you say that in your judgment, the manipulation, if there may be anything of that kind spoken of, would keep the packer where he has not received an undue profit?

Mr. COTTON. Oh, no; I do not think so.

Senator PAGE. He has not?

The CHAIRMAN. Do you attribute the increased supply of hogs estimated by the department due in part to the drive by the Government to increase production and partly to remunerative prices?

Mr. COTTON. I do not think any individual judgment on that is of great value. The prominent cause of the increased weight of hogs has been transportation and soft corn. But the farmer has undoubtedly been influenced—no body can say what percentages or amounts—by the feeling that it was a patriotic thing to produce the hogs. I have not any question about that.

The CHAIRMAN. There can not be any doubt about that. And, of course, as long as he can come out even he will do it. But he can not do that at a loss and continue to do it any more than he can live in a vacuum.

Mr. COTTON. He certainly can not.

The CHAIRMAN. But there has been, according to your conclusion, an increase in the number of hogs in the country?

Mr. COTTON. I know there has been an increase in the weight and number of hogs coming to the markets. That I know. And these figures, as far as the estimates of those best qualified to judge show anything, on the whole there is an increase in livestock in the country.

The CHAIRMAN. What was the reason, then, for these porkless days, if there are more hogs in the country, and more hogs and heavier hogs coming to the market than we need for ourselves and the allies? Why cut down the demand by porkless days?

Mr. COTTON. In the first place, Senators, you are asking me questions where I am not the arbiter. I came in here on the 1st of November. But if you do not mind, I would like to state about it: The porkless day has resulted in a perfectly clear piling up of more pork for export than usual. The demands of the allied nations in the future and at the present time are so great that they can only be fulfilled if there is less consumption in the United States.

Senator PAGE. You are speaking of pork now?

Mr. COTTON. I am speaking of pork. The porkless day has had a pretty clear result, I think. It means that those better able to afford it abstain from the use of pork, whereas any conservation reached in any other method is much more likely to fall on those less able to bear it, and that is those who need it more.

At the present time the allies need all the pork they can get, and the limiting factor is transportation, speaking broadly; and to meet that war need we should, as a national policy, I think, keep our surplus of those products as high as we can so that we can ship as their need is.

The CHAIRMAN. You think that the increase in the number of hogs and the increase in the weight of the hogs would not be sufficient to maintain the required supply?

Mr. COTTON. I hope they will; I think we must be on the safe side.

The CHAIRMAN. That, if I understand you, is your justification for the porkless day?

Mr. COTTON. As I have stated, yes. Of course there is, beyond that, sir, a very great effect, and I think a good effect on the nation from the porkless day; that is, that it is a symbol of the national need of saving, of the wisdom of saving and of the necessity of saving if the expenses of the war are to be paid, as they must be paid, from current earnings of the people and by expense of the war, I mean the exports to the allied nations, as well as the direct governmental expenses.

The CHAIRMAN. The porkless day has been abandoned, has it not?

Mr. COTTON. I did not know it, sir.

Senator PAGE. I know it has not. I went in last night to the Shoreham and asked for a mess of pigs' feet, and they said "We can not give it to you. We have got it, but can not serve you, because it is a porkless day."

The CHAIRMAN. As I understand it, yesterday was the meatless day, which applies to all meats, but there was a porkless Saturday.

Mr. COTTON. That has been abandoned and relaxed, simply because—here, again, do not treat me as the decider of these things—but the reason of that is that the success of the policy of conservation, plus the increase of production, has brought the supply to a state when further and complete methods of restriction are no longer essential for keeping us in safe condition.

The CHAIRMAN. Have not those two factors reacted on the price of hogs in the producers' hands? You say reduced demand resulted from conservation. If there is reduced demand, of course, a fixed supply would be less in value?

Mr. COTTON. Any reduced demand must operate the way you say.

The CHAIRMAN. Is it not as estimated—of course, this is the entire policy—that the meat consumption has been reduced about 25 per cent, taking the country as a whole?

Mr. COTTON. On that, there again, we are getting into difficult range of calculation.

The CHAIRMAN. Of course it is speculation.

Mr. COTTON. But here is the thing. You take the beef that comes into the central markets, and something happens to it. None of it is

wasted; no substantial portion; it is eaten or stored, or it goes abroad. When you add up those factors you have the answer.

The CHAIRMAN. The stuff is in existence, but producer, when you cut as much as that off his demand, is not the price artificially interfered with?

Mr. COTTON. You are getting into a problem of a judgment—but I may not be quite clear in answering—any cessation of demand must operate to a decrease of price, particularly when you are dealing, as you are here, with a seasonal product like hogs, where the packer has got to store and carry a substantial amount of the product.

The CHAIRMAN. Some evidence has been introduced here in regard to speeches on wheatless and porkless days by Senator Colby and the president of Leland Stanford University, and some woman in Omaha. Senator Colby, amongst other things, said he did not know whether he would ever see another dead or starving baby, but that if any babies or soldiers starved that the death of the babies would be on the heads of the people listening to him if they did not cut out the pork; and they undertook immediately to organize the "Black Vigilantes" of 55,000 women agreeing to not eat any more pork during the war. That was a week before the order was revoked. Did you know they were making such flamboyant statements as that?

Mr. COTTON. I got a telegram from a man, saying that he thought they were making too radical statements just about that time. He asked me if I knew it.

Senator PAGE. Are you fully convinced of this regulation as to porkless days and meatless days? Has it worked out beneficially for all concerned?

Mr. COTTON. I, personally, do you mean?

Senator PAGE. Yes.

Mr. COTTON. Do not try to endow me with more than I am. I am handling a perfectly technical job; I am not the conservation agent. I should think that the porkless day was a necessary, wise conservation measure. Like any other measure, you must not carry it to too great an extent. If you start one of these things, the effect is cumulative. You must be wise and careful with it. But as to the wisdom, yes; as to its essential benefit I have no doubt.

Senator PAGE. The law of supply and demand would have resulted in a much higher price, do you think, for pork?

Mr. COTTON. A much more varied price and at times a higher price.

Senator PAGE. And would not the higher price have stimulated production on the part of the farmer, so that in six months from now the law of supply and demand, the economic law, would have properly regulated that?

Mr. COTTON. Of course we are in a realm now where no man can be sure. But I think the evil effect of a ragged market, such as you saw on pork and cattle last fall, is not stimulative; that is, for instance, by the consolidation of the foreign buying, if you will look at the price charts, you will find cattle prices and hog prices going right up, and those things work both ways. That high peak meant marketing all sorts of stuff. A crack afterwards meant afterwards that the farmers who were buying feeders on a very high market—and that is really the explanation partly of the many cases of loss on feeder cattle that they bought just at the peak. I wish you would

look at the charts, because they are illuminating, and nothing could have saved those feeders excepting a progressive upward trend of the cattle market.

Senator GRONNA. Then, if I understand you, your idea was to force prices down to a certain minimum, and of course that would permit the feeder to make a profit, but how would that react on the producer, on the farmer who raised either the hogs or the cattle?

Mr. COTTON. You have grievously misunderstood me if you think I ever wanted to force those prices down to anything. I never, nor do I want to, but I do believe that as far as I can exercise that buying influence that will be for stabilizing the market.

Senator GRONNA. I agree with you perfectly. I do not think I misunderstood you. I do not mean to say you have fixed a specific price, but on yesterday you did say—at least I understood you to say—that you pooled all the allies' buying on beef, pork, and all these meat products.

Mr. COTTON. Quite right.

Senator GRONNA. And in getting a price did you consider whether the farmer was getting the equity—that he was getting cost and that he was getting a profit?

Mr. COTTON. Yes, sir; I did. Take the hogs—

The CHAIRMAN (interposing). On hogs, cattle, and sheep?

Mr. COTTON. No; I never bought any sheep.

Senator GRONNA. If it should turn out that we would have proof before this committee that men producing and feeding sheep, hogs, and cattle have lost all the way from \$1 to \$60 per head, would you not consider that a ruinous policy to production?

Mr. COTTON. Broadly, yes.

Senator GRONNA. Those facts have been stated; those statements have been made to this committee as being facts, Mr. Cotton.

Mr. COTTON. The last thing I want is to fight on that. But, for instance, with respect to sheep I have no buying power. There is nowhere in the Government a buying power or a price-fixing power.

The CHAIRMAN. But there seems to be a power somewhere to put lamb and mutton on the blacklist.

Mr. COTTON. On the what?

The CHAIRMAN. On the blacklist.

Senator PAGE. They are not included to-day in the meatless day.

Mr. COTTON. No; they are not. They were.

The CHAIRMAN. They are not, but they were.

Mr. COTTON. They were; and, broadly speaking, the reason they were taken off was because of this complaint, of course.

The CHAIRMAN. They were put on, I suppose, to conserve?

Mr. COTTON. To conserve?

The CHAIRMAN. Yes.

Mr. COTTON. Not to conserve mutton, I should think.

The CHAIRMAN. On lamb?

Mr. COTTON. Not so as to get a surplus of mutton to save.

The CHAIRMAN. Not for shipment abroad?

Mr. COTTON. Not for shipment abroad, but to save the meat supply as a whole.

The CHAIRMAN. At home. Well, that reacted on the price.

Mr. COTTON. Somewhat, without doubt.

Senator GRONNA. That seems to be very difficult for us to agree on. But can we not agree on this proposition: that nothing will stimulate production as much as profit?

Mr. CORTON. Absolutely.

Senator GRONNA. I am glad we can agree on one thing. Is it not just as important, then, that the question of profit should be taken into consideration so far as it affects the producer as the question of profit with these middlemen—call them “packers,” or anything you please?

Mr. CORTON. Very much more important, because the middleman can not get it.

Senator GRONNA. Would you say, Mr. Cotton, it is your judgment that the farmer has made a profit of 9 per cent. or 15 per cent., such as you allow the packers?

Mr. CORTON. Would I say that?

Senator GRONNA. Yes.

Mr. CORTON. I would not be able to answer that yes or no, but I think I could be quite clear. The feeder of cattle in the corn belt, I should say, right off, no; that he has not only not made, he has lost.

The CHAIRMAN. He has taken a loss?

Mr. CORTON. Surely. I mean, I do not think one can have two minds on that. And the feeder of sheep, as far as I have an impression, has lost. The producers, as opposed to the feeders of cattle and sheep, I have no indication whatever of any loss or their not being able to conduct their business at a reasonable profit.

Senator GRONNA. Will you say they have made a profit?

Mr. CORTON. Will I say they have made it?

Senator GRONNA. Yes.

Mr. CORTON. I am not able to say that categorically.

Senator GRONNA. Why should you not be able to know something about that, just as well as you are able to find out whether the packer is making or losing money?

Mr. CORTON. I am not trying to fence. I am trying to be as precise as I can, because it is a question which is in the nature of it enormously more difficult of determination, and because the producers vary so much in locality, in ability, in advantage, because of the different kinds of methods and feeds that they produce, that the answer to it is essentially a much more difficult matter. But I think, as far as I have been able to form a conclusion, that the producers of the cattle have made a profit. It would be idle for me to say it is 9 per cent. or anything else, because I could not back it up.

The CHAIRMAN. Let me get you clear. I did not understand you to say that a minute ago. I understood you to say a minute ago that the producer of cattle and sheep had been making a loss, but the feeders had been taking a profit.

Mr. CORTON. Just the other way. I do not think it is open to doubt that the feeders have taken a loss. But in the hog it is a closer question. The hog man has gotten during the winter the minimum and more than the minimum that was originally asked. The question of whether he has made a real profit or not—which is likewise always difficult—has become more difficult because of the erratic prices of the grains at the central markets. I do not think that the ordinary hog man has done badly; that he has made a profit, I am not sure. For instance, this will answer you somewhat: Up

to a month ago the hog man was more or less content. The hog prices in November and December were generally regarded as satisfactory. Nothing has changed since that time excepting the price of corn at the terminals, and the price of corn in districts such as Kansas and Nebraska has tended always to go up. But buyers of those feeders were not all buying corn every day. If you can take a man who did nothing but take hogs and corn and put them together at the market prices at the terminal markets during the winter, I do not think he would show 9 per cent profit. Does that answer your question?

Senator GRONNA. Yes; I think it does.

The CHAIRMAN. My attention has just been called by the secretary of agriculture of my State to the hog situation there. I will ask the clerk to read.

Mr. THOMPSON. From the Oklahoma State Register, published at Guthrie, Okla., Thursday, March 14, 1918 (reading):

TOO WIDE MARGIN BETWEEN THE PRICES OF PORK AND HOGS.

OKLAHOMA CITY, OKLA., March 8.

The difference between the price of hogs and the price of production is a matter that is being considered seriously by the farmers, says S. M. McCulston, county agent of Osage County, writing to Frank Gault, president of the State board of agriculture. Unless the producer has a good range, which is not probable at this time, says the county agent, no profit can be made at the present prices of corn and pork. The meat retails in Osage County at 35 cents to 40 cents a pound, while the farmer gets 15 cents a pound for his hogs. The farmer must sell 2½ pounds of pork now to purchase 1 pound of the substitute he is asked to buy. The result is he is not doing it, because he can not.

The CHAIRMAN. I merely wanted to have that read in connection with a number of similar reports I have had from the State. Mr. Cotton, on the matter of the feeders losing I rather think there is no doubt.

Mr. COTTON. Cattle feeders have been losing; I think there is no doubt of that.

The CHAIRMAN. And the meatless days, to some extent, have been responsible for that?

Mr. COTTON. I suppose it has had that effect, somewhat.

The CHAIRMAN. If it has cut down the demand?

Mr. COTTON. I think anything that cuts down the demand affects the price.

The CHAIRMAN. And if it cuts it down anything like 25 per cent it would be a very serious factor in bringing about that result, would it not?

Mr. COTTON. Yes; but may I say something about that? When you talk about cutting down the demand, if it had cut it down by 25 per cent, then there would be a lot of meat which has not been eaten. That has not been so, I think. The meat has been eaten.

The CHAIRMAN. They ate more during the meat meals, did they?

Mr. COTTON. Here are more cattle coming to market. They have been eaten, shipped, or put in storage. The only result you can draw from that is that more has been eaten. This voluntary conservation operates on a relatively small proportion of the community, and, as a matter of fact, the rest of them are thinking more—

The CHAIRMAN (interposing). I am proceeding on Mr. Swift's statements that it cut down the demand 25 per cent, and I think

Mr. Swift estimated 30 per cent. If the demand has gone down, I suppose the consumption has gone down.

Mr. COTTON. And yet you must realize that that is not true, because more beef has been consumed.

Senator WADSWORTH. My recollection is that the statement was not made in just that form; and the statement, furthermore, was somewhat in the nature of hearsay, but it was to the effect that the demand for the live cattle has decreased 30 per cent.

Mr. COTTON. Yes.

The CHAIRMAN. There was greater demand falling off for heavy cattle, heavy hogs, and sheep, and the leaner stuff was in greater requisition.

Senator WADSWORTH. If the demand for beef had fallen off 30 per cent on the average, all kinds of cattle would be selling in Chicago for around 6 or 7 cents a pound.

The CHAIRMAN. They are selling in Oklahoma for 7 cents; that is, the average for seven months has been less than 8 cents.

Senator WADSWORTH. That includes canners.

Mr. COTTON. There is no doubt that the prices of high-grade cattle have gone down.

Senator WADSWORTH. My understanding was that the statement applied to heavy beef—30 per cent shrinkage in demand.

Mr. COTTON. That might be true. But remember another thing: That that heavy beef, the place where you find heavy shrinkages in price and demand, is also the least economical grade of cattle to producer under any conditions, and as near as can be, a war luxury that can not go on in its old form.

Senator NORRIS. Before Mr. Cotton gets away from meatless days: As I understand it, the object of the meatless days was to conserve the meat. But you state that since you have had the meatless days more beef has been eaten than before. If that is true, then it must have been a failure. It increased consumption rather than diminished it?

Mr. COTTON. No; that does not follow, sir, because here we have the supply stored up ready to send, which otherwise would not have been stored.

Senator NORRIS. I understood you to say there was more meat eaten.

Mr. COTTON. That is true.

Senator NORRIS. Then we have not conserved the meat?

Mr. COTTON. Yes; you have got a lot of hogs piled up around the packing houses ready to go.

Senator NORRIS. They are not packed up there if they have been eaten. The point I would like to have you elucidate is that if the meatless day has resulted in a larger consumption of meat, then it seems to me that the meatless days ought to be abolished at once, because we want to conserve the meat.

Mr. COTTON. There has come a larger production of cattle and of hogs.

Senator NORRIS. Not on account of the meatless days.

Mr. COTTON. No; for some other reasons.

Senator NORRIS. Yes.

Mr. COTTON. Coincident with that there has come increased consumption of beef, and yet, coincident with it, a greater saving than in another year, that saving being reflected in the results.

Senator NORRIS. The increased consumption has nothing to do, in your judgment, with the meatless day, then?

Mr. COTTON. No; I should think it did not come at all because of it—no causal relation.

Senator NORRIS. Right in that connection, what was the real object of a lambless day or muttonless day? As I understand it, we do not ship mutton to the allies?

Mr. COTTON. You are quite right in your understanding.

Senator NORRIS. And it seems to me that if that is true that when the American people quit eating mutton it must always drive the sheep feeder out of existence, and it would not be a wise policy to induce the American people, since we can not send mutton to the allies, to eat mutton instead of other meats, and thus conserve the other meats for the allies.

Mr. COTTON. You are substantially right on that, sir, I should think; that is, between the meats which are not exported and the meats which are exported, the meats which are not exported should be eaten.

The CHAIRMAN. Ought we not to encourage the substitution of lamb and mutton for pork and beef?

Mr. COTTON. Such has been the policy of the Food Administration so far as its advice has been given. If you ask me for the general fundamentals of it, it is that the meats are, broadly, substitutional; and if you just turn a meatless day into a mutton day you have gotten nowhere. That is the broad underlying policy of it.

Senator NORRIS. I do not quite see that yet. If we do not export the mutton and there is nobody to use it except our people, and we want to get an increased supply of hogs and beef to export, then I can see why we should stop eating hogs and beef; but it seems to me that as an inducement to the people to stop eating pork and beef we ought to ask them to eat mutton rather than to have two or three days a week when they can not eat any mutton or any lamb. I should think that would be practical conservation.

Mr. COTTON. In the first place, sir, that is what the Food Administration is asking—that is, the eating of mutton rather than of beef or pork. There is now no prohibition of mutton.

Senator NORRIS. I understand that. What was the object of issuing such an order in the first place?

Mr. COTTON. Simply this, that a voluntary restriction on meat which freed another meat (mutton) for consumption would not result or tend to result in a less consumption of meat as a whole; the idea being that if the mutton, for instance, is not included, the mutton supply, which is relatively small, would simply become the meat for the meatless day and it would not result in any conservation. That is, the total amount of meat consumed would be as great as ever before.

Senator NORRIS. Yes; but you would be consuming a kind of meat that we do not want to conserve.

The CHAIRMAN. As I understand you, Mr. Cotton, you say the consumption of meat has been greater than ever?

Mr. COTTON. Yes, sir; that is my general statement as to beef.

The CHAIRMAN. Then having this symbol of a meatless day and the moral effect has not had anything to do with that at all?

Mr. COTTON. Oh, yes.

The CHAIRMAN. It has not gotten us anywhere, so far as conservation is concerned?

Mr. COTTON. Oh, yes; it has. You would not have the stock of pork you have in Chicago to-day unless you did it.

The CHAIRMAN. That is the point I was coming to. I stated here a while ago the packers had estimated the demand had gone down 25 per cent, and I understand you to say that could not be true; otherwise there would be an accumulation of the stuff.

Mr. COTTON. There is no such accumulation of anything like 25 per cent, but there is an accumulation of something in the total—I used the word “Chicago” broadly—which is a source of supply for export shipment.

The CHAIRMAN. And your theory is that notwithstanding there has been an increased consumption over the normal, there would have been a much greater increase but for these meatless days?

Mr. COTTON. Broadly, yes.

The CHAIRMAN. Then whatever has accumulated has, of course, subtracted that much from the active demand that would reflect itself in prices to the producer?

Mr. COTTON. Yes, sir.

Senator GRONNA. But if there has been an accumulation and just as much meat has been eaten, the accumulation must be because of a larger production?

Mr. COTTON. Of course, you can take that into consideration. That is, you could not have gotten the greater consumption and greater saving unless you had had a great deal greater production.

Senator NORRIS. Mr. Cotton, I am surprised that since we have had the meatless days there has been more meat consumed than when we did not have them. Is that strictly true?

Mr. COTTON. I think that is a sound statement as to beef—not, of course, on meatless days, but on the whole in spite of meatless days.

Senator NORRIS. Does that mean that the people do not obey the order?

Mr. COTTON. That is a rough way of putting it; yes.

Senator NORRIS. I, of course, have only a general viewpoint, because, like nearly everyone, I know only what happened in my immediate family and what my neighbors tell me; but I do not know of a case among all of my acquaintances where they have not observed the order. I know that in my own home it has been observed strictly, to the very letter.

Mr. COTTON. If you will go through the records of the industrial publications you will find enormous increases in meat consumption coincident with the saving in your home and mine.

Senator NORRIS. Could that increased consumption have gone on if the rest of us had not been obeying this order?

Mr. COTTON. It could not have gone on beyond the supply of meat.

Senator NORRIS. I understand. What I am getting at is this: If a meatless day results in an increased consumption of meat, what do we want with a meatless day? Why should I starve myself if by doing so I am going to accomplish what I want to avoid?

Mr. COTTON. If the meatless day results in an increased consumption of meat, there is no defense for it.

Senator NORRIS. It seems to me that is what has happened.

The CHAIRMAN. That is, it has been coincident with it, whether it is a case of cause and effect or not.

Mr. COTTON. Yes; it has been coincident with it.

Senator NORRIS. As I understand, you say that those who did not observe the meatless day order ate more beef than they did before?

Mr. COTTON. That is right—over the winter.

Senator NORRIS. Then the meatless day order has had the effect on one class of people to make them obey it and not eat any meat, and on another class of people to eat a larger amount?

Mr. COTTON. I do not see that that follows for a second. It shifts the consumption; is that what you mean?

Senator NORRIS. You say those who did not obey the order ate more meat than they did before the order was issued—

The CHAIRMAN. Which has resulted in a net increase of total consumption?

Mr. COTTON. Yes.

Senator NORRIS. There has been an abundance of evidence presented here by men who had fat lambs that they were unable to sell them. Many men have had lambs fattened and ready to ship, and had to turn them back on grass, because the market was such that they could not afford to sell them and could not afford to have the high-priced meat. We have been told the same thing about chickens, when they were ordered not to eat chickens. I do not know how you could get mutton or other meat on a meatless day. The dealer, I suppose, would not give it to you. I have not tried to get it; I have heard of people who have tried and failed.

Mr. COTTON. I may have made one statement I should not have made. When I am speaking about the increase of consumption I mean the increase of beef. I am not prepared to show the increase of mutton, although it shows an increase. That probably is not true of hog consumption, where the saving by the meatless day has been large. But I think that is broadly true, that there has been greater consumption of beef than before.

The CHAIRMAN. Has the relative consumption been relatively greater than increased production?

Mr. COTTON. No; that has gained—it depends on what field you look at. Looking at the amount of shipping going out now, no.

Senator NORRIS. Can you tell us, Mr. Cotton, what has caused this increased consumption of mutton, for instance?

Mr. COTTON. If you want me to guess at it—I am not speaking of mutton, I am speaking of beef now—it is the industrial worker in the munitions plant and what not—higher wages and that sort of thing.

The CHAIRMAN. The worker could afford to spend a little more for his beef, could he not? If he has increased his consumption enough to keep him in good physical condition, could he not pay a little better price with these high wages than he is paying?

Mr. COTTON. I do not know.

The CHAIRMAN. Do you not think it is better for the consumer in the long run to pay a price sufficient to reimburse the producer?

Mr. COTTON. I know he must or there will be no producer.

THE CHAIRMAN. And yet the feeders have been taking a loss?

MR. COTTON. Yes; the lamb feeders have been taking a loss.

THE CHAIRMAN. These industrial workers have been eating beef at a price which did not reimburse the feeder for his outlay.

SENATOR WARREN. I was just going to ask you a question, Senator. Perhaps you have answered it. What effect does this system of meatless days have upon the consumption of wheat, if any? It takes about so much fire to make steam, and so much food to support a workingman; and bread is the staff of life, especially of the workingman. Now, if they eat less meat will they eat more wheat and if so, in what proportion?

MR. COTTON. Broadly, I think that is right; but you are getting into about as difficult a question as you can find. Undoubtedly those foods are somewhat substitutional.

SENATOR WARREN. I am not asking this question to embarrass anybody; but, on the other hand, I have been watching this very closely. I have watched it where, for instance, where we have a large number of men employed, and where, of course, they can not be denied either sugar or wheat or meat if they want it. You can deny one of them but not two or three. I have noticed that just in proportion as you cut down the meat you increase the consumption of wheat. I am not a wheat grower, except in a very small way, and not a very large meat grower; but it seems to me that if we have plenty of meat, and if its production is increasing, it might well be considered whether we would not save wheat in large percentages if we could relax still more the prohibition against beef. As to mutton, I understand that prohibition has been entirely removed until the middle of April?

MR. COTTON. Yes.

SENATOR WARREN. Is it the intention to leave it open then?

MR. COTTON. Again, I do not decide those questions. I should not expect it to go back, under the present market conditions.

SENATOR WARREN. Of course the original error that the Food Administration made—which was perfectly natural, and which I think Mr. Hoover understands—was the prohibition of eating lamb.

MR. COTTON. I would rather not comment on that.

SENATOR WARREN. Now, when you get to the middle of April you are coming, of course, to the birth of the new lambs, but you are pretty well over the season of fed lambs. It seems to me perfectly right, perhaps, to prohibit the eating of small lambs up to a few weeks old, but the growth of the lamb makes little strain upon the range if you can get your lamb to market as soon as it can be finished, which is from nine months to a year old.

MR. COTTON. I can not dissent from that, sir.

SENATOR WARREN. You are not certain whether the prohibition will be removed?

MR. COTTON. It is not for me to decide that.

SENATOR WARREN. I wish your people would keep in mind that the only thing you have to prevent under any circumstances is the killing of young lambs.

MR. COTTON. There is no prohibition from the Food Administration now, I am sure, as to lambs of any kind.

As to the other matter, the question of the shifting of those conservations, at the minute the crucial situation is the wheat situation.

Mr. Hoover's relaxation on the meats was coincident with further prayers for greater conservation of the wheat, and broadly, of course, that has had some effect.

Senator WARREN. My own impression is that if you should entirely remove the prohibition on beef, leaving it, if you wish, on pork, you would save wheat.

The CHAIRMAN. In that connection I want to say that last spring and summer, when the food bill was under consideration, I looked into the experience in Great Britain, and according to my information they installed a meatless day there, and they kept books on the situation, and they found that the increased consumption of bread on the meatless day more than offset the decreased consumption of meat.

Senator WARREN. That is exactly my information from across the water.

The CHAIRMAN. They instituted a three-course meal at the hotels, and they found the people cut out the side dishes and ate meat and bread.

Senator WARREN. I presume the situation is a little more acute abroad than it is here.

Senator NORRIS. I think it ought to be in the record here that while the eat-no-lamb order is abolished and probably never will be enforced again, I believe the people generally, when that order was first issued, thought it would be a very wise thing, because people generally who are not acquainted with the raising of lambs for slaughter supposed it would be economy to let the lamb grow into a sheep. But when you study the question and learn that the lambs are bred for lambs and they are no good as sheep, and that there comes a time when the lamb is nine months or a year old—

Senator WARREN. They are sheep, then.

Senator NORRIS. Well, when they are of no account unless you kill them, it would be a foolish thing to prevent people from eating lamb.

The CHAIRMAN. As I understand, it is more economical to eat lamb than to eat sheep.

Senator WARREN. Take a man who has, say, 10,000 sheep. He raises a crop of lambs, and, as the Senator from Nebraska has stated, if he is raising for the mutton market, he raises a coarse grade of wool rather than the fine merino. Now, when those lambs come, the wether lambs which will not breed, when they are about 5 months old, are put into this intensified feed, corn, alfalfa, and other feeds, and by the time they are 9 months old they are as large as they are ever going to be, or practically so. Now, the flockmaster keeps his ewes and brings his lambs against next year, until they get to wool. He realizes that if he sold his older ones and kept his lambs that they would have, the one part of them would only raise wool and the other would be 2 years old before they would ever have a lamb. So you exhaust your flock more slowly and you exhaust your pasture and feeds more slowly and furnish more meat by using the so-called lambs.

The CHAIRMAN. When you get a lamb that fat, to keep it beyond that means a loss?

Senator WARREN. It means a loss every time, and it means the meat is not as good.

Senator NORRIS. And there will not be any more of it?

Senator WARREN. No.

Mr. COTTON. There is no doubt that is the economical time to market.

Senator WARREN. Mr. Chairman, I would like to say just one word, speaking of beef. The beef business wants to be handled carefully enough so that the producer all the time is being considered, for to-day the producer is figuring to get out from raising beef rather than to get in, on account of the profits he could make.

The CHAIRMAN. Yes, sir. We will go into that more fully in the morning, Senator Warren.

(Thereupon, at 12.10 o'clock p. m., the committee adjourned to meet at 10.30 o'clock a. m., to-morrow, Thursday, March 21, 1918.)

INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

THURSDAY, MARCH 21, 1918.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10.30 o'clock a. m., Senator Thomas P. Gore presiding.

Present: Senators Gore (chairman), Ransdell, Page, Gronna, Norris, and Wadsworth.

The CHAIRMAN. The committee will come to order. Mr. Cotton, I want to read a couple of statements of cost of production or feeding that I want to call your attention to at this time. Of course, your admission yesterday that the feeders had been losing money will be reenforced by this, but I want to ask you some further questions in regard to it.

(The clerk to the committee read, from the statement of Mr. Edward F. Keefer, live-stock feeder and live-stock commission merchant, Union Stockyards, Chicago, Ill., before the committee on March 12, 1918, as follows:)

John Lipton, Milan, Ill., bought 20 steers on Chicago market October 9, 1917. Sold on Chicago market February 14, 1918. On full feed 120 days.

Purchase weight, 1,240 pounds; purchase price, \$12.30 per hundred weight:

| | |
|---|----------|
| Cost per head | \$152.52 |
| Expense getting them home | 2.50 |
| Fed one-half bushel corn per head per day—60 bushels, at \$1 per bushel | 60.00 |
| 15 pounds hay per day, at \$25 per ton | 22.50 |
| Ensilage per head | 10.00 |
| Total cost per head | 267.52 |
| Selling weight, 1,447 pounds; selling price, \$12.50 per hundredweight: | |
| Selling price per head | \$180.87 |
| Marketing expense | 3.00 |
| | 177.87 |
| Loss per head | 89.65 |

The CHAIRMAN. Mr. Keefer submitted several of those cost sheets, and Mr. Hudson submitted some. I want to read the first that Mr. Hudson submitted.

(The clerk to the committee then read an affidavit submitted by Mr. J. A. Hudson, live-stock feeder, Columbia, Mo., in his statement before the committee March 15, 1918, which is here printed in full, as follows:)

J. M. Batterton, on his oath, states that he is a citizen of Boone County, Mo., is 58 years old, and has lived here all his life; has been engaged in general

farming and raising and feeding stock; that a few years since he removed his family to Columbia to better educate his children, but that he has continued to operate his several farms; that he has for many years fed cattle for beef market; that he put 125 steers on feed about the 1st of November, bought as cheap as could be had. They were fed soft-corn silage and linseed-oil meal, and were sold about the 1st of February. Counting the soft corn fed at 50 cents a bushel, but counting nothing for labor or equipment, the cattle and hogs that run with them lost me \$4.350.

J. M. BATTERTON.

Subscribed and sworn to before me this March 1, 1918, at Columbia, Mo.

[SEAL.]

THOMAS K. CATRON,
Notary Public.

The CHAIRMAN. Mr. Hudson submitted several more affidavits, but I will not trouble to read them all. As I understand your statement yesterday, you think that pretty generally the feeders have been losing money on cattle?

Mr. COTTON. The feeders?

The CHAIRMAN. Yes.

Mr. COTTON. Yes; I think the feeders of cattle have lost money in the corn belt, particularly on the higher grades, especially the gentlemen who bought their feeders earlier. The earlier they bought them the more they lost.

The CHAIRMAN. Yes; this first man whose statement was read here bought at \$12.30, and finished cattle were then selling at something over \$17. So the spread justified his calculation.

Mr. COTTON. Yes, sir; the spread was very large at that time.

The CHAIRMAN. Is that due to the fact that the demand for the finished stuff has fallen off?

Mr. COTTON. I should think that was one of the reasons, a real and very important reason.

The CHAIRMAN. As I understood you yesterday, the allies do not call for the highly finished stuff?

Mr. COTTON. They have not, excepting as we have persuaded them within a short time to take a certain amount of the highly finished cattle.

The CHAIRMAN. They call for the lower-grade stuff, which accentuates the demand for the lower-grade stuff?

Mr. COTTON. They call for the lower-grade stuff, and I think that has to some extent accentuated the demand.

The CHAIRMAN. Now, do the industrial workers, whose increased wages have enabled them to eat more meat, call for the highly finished stuff or the lower-grade stuff?

Mr. COTTON. That is a question that is very hard to answer, but I suppose they do not call for the highest grade stuff, generally speaking.

The CHAIRMAN. Then it is the people who observe the meatless days who ordinarily call for the highly finished stuff, is it not?

Mr. COTTON. We are within the range of speculation, but I am inclined to think so; yes.

The CHAIRMAN. Then, the people who observe that order really reduce the demand for this particular kind of stuff that neither the allies nor the industrial workers want?

Mr. COTTON. May I say "Yes," and then add a statement?

The CHAIRMAN. Yes.

Mr. COTTON. Yes; I think that is right, but I think this falling off in demand for the very highly finished stuff is something that comes anyway; is sure to come, and is not dependent primarily or largely on the meatless day.

The CHAIRMAN. Did the Government encourage feeders to finish very well?

Mr. COTTON. You say "the Government." I do not know. I know what I did. I did not get into this until October, and what a lot of people did before that I do not know. I do not think I did. I am pretty sure I did not.

The CHAIRMAN. Except as to hogs?

Mr. COTTON. Oh, yes; as to hogs. You have read what I said on hogs?

The CHAIRMAN. Yes, sir.

Mr. COTTON. There is a considerable difference. A highly finished hog is still a pretty good vehicle for marketing corn. A hog keeps on taking on fat economically for quite a long while.

The CHAIRMAN. I believe your investigation of cost sheets did lead you to believe that the finishers of hogs have not suffered like the finishers of cattle?

Mr. COTTON. No; nothing like as much.

The CHAIRMAN. Or that they did not suffer at all?

Mr. COTTON. I did not say that they did not suffer. You will find them suffering in many places; you always do. What I mean to be understood as saying is that on the average, looking at it as a whole, I did not think the hog men had done very badly. They have not done so awfully well, not as well as last year, but I do not think they have done very badly.

The CHAIRMAN. Now, the Government has not been able to so influence the price on these finished cattle as to insure a profit to the dealer?

Mr. COTTON. So far as my division goes, I should say no; they have not.

The CHAIRMAN. I was wondering Mr. Cotton, whether, if you had held down the profits of the packers a little lower and let that retrenchment go to the feeders, that would not to some extent have relieved their situation?

Mr. COTTON. Whatever you take from one and give to another helps, but it is a drop in the bucket beside the losses of the feeders.

The CHAIRMAN. Well, I think that is probably true; but it would probably go to show that a man's heart is in the right place. I do not mean to say, of course, that anybody's is not. But the fact that the packers are realizing 9 per cent and 15 per cent when the feeders are selling at \$80 a head less than cost would not tend to cheer them up, and if the Government has any power to influence the prices they would naturally think it ought to be exercised at that point. In the statement of yours, which I read yesterday, you stated that your purchasing power—purchasing for the allies, the Red Cross, etc.—would give you the power to maintain prices to some extent—that is, you expressed that opinion, as I understand?

Mr. COTTON. In the future; yes.

The CHAIRMAN. Did you use that power to the utmost of your ability?

Mr. COTTON. Yes: practically I did on cattle. I used such power as I had to the best of my ability. Understand, however, I made no such statement as to cattle as I made about hogs—that the purchasing power was very much less—that, I think, was quite fairly well known, and that there was, so far as I know, no encouragement for high-fed stuff, certainly not officially from the division that I know about.

The CHAIRMAN. Did you make an effort—I believe you said you did—to induce the allies to take some of the more highly finished stuff?

Mr. COTTON. Yes, sir.

The CHAIRMAN. Did you, earlier in the season, in purchasing for the allies and for the Red Cross, make an effort to raise the price on cattle?

Mr. COTTON. Yes: one can not move very fast on this. I made this motion toward changing the allied orders considerably more than a month ago, and it is just coming through. You realize that buying is not done day by day; it can not be—that is, I tried that long before this matter came up.

The CHAIRMAN. I want to call your attention to a letter, written by Mr. Cudahy's man at Chicago to their representative in Omaha, regarding Mr. Durand's statement.

(The clerk to the committee read as follows:)

Dr. Durand said that this thing would have to be handled in some way to avoid the advancing of the cattle market; that that was the thing that absolutely must not come about; and, if it did, he would take drastic measures to prevent it.

The CHAIRMAN. Of course, we realize, Mr. Cotton, that that is ex parte. Mr. Durand has not been heard on that statement; and we could not take it as final until he has had his day in court; but if that statement was made it was without authority from you?

Mr. COTTON. As a general statement, if that was made, it was made absolutely without authority.

The CHAIRMAN. It would be just contrary to what you stated to be the policy, would it not?

Mr. COTTON. As a general policy, it would.

The CHAIRMAN. Your effort has been to raise the price?

Mr. COTTON. No; my effort has been to pay a fair price where I ordered.

The CHAIRMAN. I mean, the price of cattle, not meat. Your general policy has been to stimulate better prices for cattle?

Mr. COTTON. Wait a minute. I do not quite think I said that. What I think I said was that in my purchases, as far as I have had ability to control or fix them, I have tried to see that the prices paid were fair, and that as to cattle it has not been sufficient, by any means, to stop that tendency to lessen the spread.

The CHAIRMAN. Whether this statement was made or not, do you know whether the price of cattle was held at a level?

Mr. COTTON. I can easily tell. [Referring to charts.] What was the date of it?

The CHAIRMAN. January 17 the interview is alleged to have taken place.

Mr. COTTON. At that the price of cattle was more or less steady, slightly upward, but only very slightly. I mean, it has been very steady.

The CHAIRMAN. Do you know how soon that order was filled which was under discussion?

Mr. COTTON. It has probably been filled by all the packers now.

The CHAIRMAN. I suppose the contract was closed at that time?

Mr. COTTON. No; there was no contract at that time. I know what I was speaking of. He had there a British order which he could fill if he could get the stuff at a certain price. It was simply a question of whether he could fill it at the price or could not fill it. I know the situation at that time; he either filled it at that price or he could not fill it, one of the two.

The CHAIRMAN. The allies then fix the price themselves?

Mr. COTTON. No; they do not fix the price themselves, but neither do we. We have got to get together.

The CHAIRMAN. They say what they will pay?

Mr. COTTON. They say what they want and what they will take. You have to fill the ships and meet their desires. If something is high they come in and say, "We want milk," or "We want cheese," or they will turn to the cereals.

The CHAIRMAN. Then the allies, or the British, are the people who fix the price?

Mr. COTTON. No; it is a commission of all the allies. No price can be fixed unless they can be persuaded to take the stuff at that price.

The CHAIRMAN. And you figure they would not take it? Suppose our people would say, "We will not sell unless we can have something to say about the price;" do you think they would go somewhere else to get their supplies?

Mr. COTTON. Do I? I know they can not. That is, speaking broadly, this is the place where they must deal, and it has never come to an issue, so far as I know, between the allied buying commission and the American authorities, and therefore all prices have been assented to by the allied purchasing commission. There sometimes is grumbling, sometimes they say they can not, and then the orders stop. You see, an order never comes to us until it has passed the ministers of food on the other side and after they have gone to the treasury and got the money for it. They can only get the money for their requirements a short time in advance, month by month, and those orders do not come to me until they have been through all that machinery. Where the deciding power is has never been thrashed out; I mean, it has never come to a situation where they said, "We will not," or we said, "We will not."

The CHAIRMAN. I hope that situation will never come about. The point I had in my mind was that they could be led to appreciate the importance of keeping production going forward in this country; or, if the war is going to last any time, as it may, neither should they insist nor we consent to the production being broken down in this country.

Mr. COTTON. Of course that policy must be accepted; if they do not accept it to-day they must accept it to-morrow. It is inevitable.

The CHAIRMAN. Those are all the points I wanted to ask about at this particular juncture.

Senator NORRIS. I have several questions. First, I wanted to ask you, Mr. Cotton, about this so-called "no lamb" order. It has been revoked until the 15th of April?

Mr. COTTON. You mean the order about lamb on the meatless days?

Senator NORRIS. Yes.

Mr. COTTON. That was my understanding.

Senator NORRIS. Do you know what the intention is in regard to putting it in force again?

Mr. COTTON. No, sir; I do not handle matters of conservation, and I really know nothing about that. I, as the practical person there, make recommendations to the conservation authority.

Senator NORRIS. I have been thinking about it a great deal since yesterday, and I have heard these lamb people testify. I was very much impressed with what happened to them when they got their lambs fat. Now, I can see, and it seems to me—I may be wrong, and I want to be corrected, if I am—that it is almost due to the feeders of lambs that the Food Administration should say, if they can, whether they expect to have a "lambless" or "muttonless" day after the 15th of April, because it means a great deal, I take it, to the men who are going to feed lambs and breed lambs the coming season. If that is going to be done again as it was this year, or if they are not assured that it will not be done, will it not have a tendency to decrease the lamb product?

Mr. COTTON. Of course, if the lamb feeder can know in advance the Government's policy it will make it easier for him.

Senator NORRIS. Do you not think that, in justice to him, he ought to know that?

Mr. COTTON. He ought to know it just as soon as he can know it, consistent with the major policy on the war. You can not lay down fixed rules for this conservation or anything else, and say you are not going to change them, but there ought to be an effort to let the feeder know just as far in advance as you possibly can.

Senator NORRIS. I have gotten the idea—rather indirectly, probably; not from your testimony particularly, but from all the evidence—that the Food Administration itself rather reached the conclusion that it made a mistake when it issued that order. And it seems to me, for the purpose of getting as much meat next year as possible, if the Food Administration would say now, before the breeding season commences, that they are not going to put such an order into effect, it would have a tendency to increase the supply of lambs next fall to a great extent. If that could be done I think everybody would concede it would be a very wise thing to do. We want to increase the production if we can.

Mr. COTTON. What you say is entirely sound, and I do not differ with it much, but I want to put the other side of the shield before you. If you get a situation where, instead of ordering 30,000 tons a month, or something like that, the door to the allied sources of supply of meat other than the United States is shut, the demands on the United States for meat products will increase so much that there will have to be some way or other, by law or by conservation, or what not, drastic restrictions on consumption. The only trouble with making promises a long way in advance is that they have all got to be subject to that sort of thing, and the fewer promises you can make the better. I mean, the feeder is much better off if he has

the promises, but you can not hope to put this industry or any other industry in a position where it can go along all right and somebody else carry on the war.

Senator NORRIS. Yes. But suppose that next year, the same as last year, the allies do not want any lamb?

Mr. COTTON. It might easily come to a condition where we might export mutton and lamb.

Senator NORRIS. It would be a mistake, would it not, to hold back on the theory that it might be necessary to have a no-lamb order issued again, running the risk all the time that you would not have any lambs with which to supply them? You had better have the lambs without an order than not to have the lambs with an order?

Mr. COTTON. There is no doubt about that, but I think we have two points of view. You have got to steer your course between those two points of view. I should think that the Food Administration—you realize, I never speak officially for it in these conservation matters—would go far as it could in making statements, but it would be chary in making them and lean on the side of playing safe.

Senator NORRIS. Mr. Cotton, if that order is made, or any order, would you be consulted?

Mr. COTTON. I might. I should hope to be.

Senator NORRIS. Were you consulted when the former order was issued?

Mr. COTTON. I was consulted about the last one of them, and I was in favor of lifting that, simply because no man can look at these figures without realizing that the lamb feeders were having a hard time. Now, maybe they were not wise, maybe they ran their neck into the noose, but you can not be ruthless in situations like that.

Senator NORRIS. I think we have to concede—at least there is nothing in the evidence to cause me to form any different conclusion—that these lamb feeders were influenced largely, the same as all the rest of us, by a very patriotic desire to do their share, and they have lost money in their patriotic enthusiasm. Do you not think they were just as patriotic as any of the others?

Mr. COTTON. I should say, speaking generally, that the section from which those men come is more uniformly patriotic than most of the sections of the country—the stock is such—but how far patriotism influenced the feeders is, of course, a question of judgment. It was one of the factors.

Senator NORRIS. I do not say it was the only factor, of course.

The CHAIRMAN. You would think that 9 per cent would be good reenforcement, would you not?

Mr. COTTON. That is largely guesswork.

Senator NORRIS. If you can say anything for the record here that would be in any way encouraging to these people I would like to have you express yourself as freely as you can under the circumstances.

Mr. COTTON. It seems to me that expression is for another member of the division in which I am an assistant—not for myself.

The CHAIRMAN. Do you think Mr. Hoover ought to answer that question?

Mr. COTTON. Well, I should certainly think I should not.

Senator NORRIS. I should not have asked that question if you had not said you were consulted.

Mr. COTTON. Surely. I was asked whether I would lift it to such a date, and I said "yes."

Senator NORRIS. How long have you been practicing law, Mr. Cotton?

Mr. COTTON. Oh, since 1901. I think that is it.

Senator NORRIS. Are you a member of a firm?

Mr. COTTON. Yes. That is, I had a firm before the war.

Senator NORRIS. Up to the time you went into this office what was the name of the firm?

Mr. COTTON. Spooner & Cotton.

Senator NORRIS. Ex-Senator Spooner?

Mr. COTTON. Yes; John C. Spooner.

Senator NORRIS. Were you, or was your firm, attorney for any of these packers or any of their affiliated connections?

Mr. COTTON. No.

Senator NORRIS. What was the general nature of your business and your clientage?

Mr. COTTON. I did nearly all my work for lawyers. Senator Spooner has been hired to argue cases. Most of my work was in cases or on issues of securities. I was then, and still am, counsel for the Reserve Board. I was counsel for the State commission on the investigation of employers' liability. You remember that, Senator Wadsworth?

Senator WADSWORTH. I do.

Mr. COTTON. And I have been counsel for the city of New York in various matters. Generally speaking, my work has been mostly for lawyers, largely dealing with the issue of securities.

Senator NORRIS. Did you represent Morgan & Co. or the Standard Oil interests, or any of those people?

Mr. COTTON. No; I have never represented either of the particular concerns which you mention. Do not misunderstand me on that, however. On some of these issues of foreign bonds, for instance, I have undoubtedly been the person who certified as to legality of the bonds, and undoubtedly Morgan may have had an interest in the bonds. I remember one instance where I represented the Browns where Morgan was in the deal, but I have never been a Morgan lawyer.

Senator NORRIS. Have you ever been identified with any live-stock interests?

Mr. COTTON. No.

Senator NORRIS. How long have you been in New York City?

Mr. COTTON. I have never practiced anywhere else. Up until 1908, I think it was, I was first a clerk and then a junior with Cravath & Henderson, and I left there about 1908, I believe.

Senator NORRIS. As I understand your testimony, your relations with the packers—

The CHAIRMAN. Before you go into that subject, Senator Norris, may I ask one or two questions?

Senator NORRIS. Yes.

The CHAIRMAN. Were you ever attorney for the National City Bank?

Mr. COTTON. No. I have never been able to get that business, Senator Gore.

The CHAIRMAN. When you were with Cravath & Henderson was Cravath attorney for the S. & S. packing business?

Mr. COTTON. He was attorney in some way for some of the Sulzbergers; whether he was the official attorney for that concern or not I do not know.

The CHAIRMAN. You had nothing to do, I suppose, with the reorganization of that concern when the Wilson Packing House Co. was formed?

Mr. COTTON. I had nothing to do with it. But he has been consulted in Wilson matters, and I have read that he was the attorney in the reorganization of Wilson. I do not even know when that was; it was long after I left.

Senator NORRIS. I wanted you to be a little more explicit, if you could, Mr. Cotton, in regard to the arrangement you had with the packers about the profit they should make, as to their investments particularly. Did you make any investigation to see, for instance whether their claim of capital was all really invested in the business, and if so, to what extent did you do that?

Mr. COTTON. No investigation made by me into that matter is conclusive or final. I have asked and expect to have the Federal Trade Commission responsible for that whole thing. They have had a force of men in there for a year and a half, they are the obvious body to do it now, and for me or this division to do it would simply mean a duplicating of machinery, and I thoroughly expect that they are going to do it. They have been reluctant to take it up, and have not yet taken it up. I think they will.

Senator NORRIS. That was for the purpose of finding out what they had in the business and upon which you were going to allow this 9 per cent?

Mr. COTTON. Surely. There has got to be a check on that sort of thing, and you can imagine that I did not particularly love that job.

Senator NORRIS. Can you tell us what part of the capital upon which they get or will get 9 per cent is borrowed money, and what part is capital stock, and what rate of interest the borrowed money bears?

Mr. COTTON. I can tell you in general terms, going back a little way. They were usually borrowing at the banks half as much as their capital and surplus, and that would tend to increase in the period of accumulation.

Senator NORRIS. Do you know what rate of interest they paid?

Mr. COTTON. I have been informed they are paying around 6 per cent now.

Senator NORRIS. Do you know about their bonds? I suppose they have regular issues of bonds?

Mr. COTTON. The most of them have regular issues of bonds.

Senator NORRIS. Do you know what rate of interest they bear?

Mr. COTTON. Some of them $4\frac{1}{2}$, some 5, and some 6.

Senator PAGE. The Armour bonds bear $4\frac{1}{2}$ per cent.

Mr. COTTON. Yes. I think that is right; and Wilson, 6 per cent.

Senator NORRIS. I want to ask you about a meeting as to which there has been some testimony that you held, or at which it is alleged you were present, of the executive committee of the American Live Stock Association last December, I think.

Mr. COTTON. I have been with those people time and time again. The CHAIRMAN. December 5, I think.

Senator NORRIS. December 5; yes.

Mr. COTTON. December 5? I should think I was in Chicago at that time; I am not certain, however. I have met with them frequently all through this matter.

Senator NORRIS. I am informed it was at the International Live Stock Commission.

Mr. COTTON. Oh, yes; I went out to Chicago.

Senator NORRIS. It is alleged that when you were asked there if you considered the cost to the live-stock producer when making prices, you replied that you looked only to the price that the packer pays. Do you remember anything about that?

Mr. COTTON. I think I remember some talk of that. We were speaking of the different prices, and that would have been a correct statement at that time; yes. I remember such a talk, and I remember such a statement, applicable to beef, and I should think it was correct then and correct now. I was then taking out of the packers' freezers stocks of frozen beef accumulated in October and November. That would have been correct, and I undoubtedly would have said it.

Senator NORRIS. Well, do you not think, Mr. Cotton, that in fixing the prices you ought to take into consideration the cost to the stockman, unless there is somebody else connected with the Food Administration whose duty it is to do that?

Mr. COTTON. Not in regard to frozen beef killed and owned by the packers and in store.

Senator NORRIS. Is that all that the remark applied to?

Mr. COTTON. I know that remark did apply to that; but I also know this: For instance, dealing with that low grade of cattle, where there was not any complaint, undoubtedly all I would be doing would be to follow the market; that is, I would not be trying to make the price, but seeing that the prices I paid reflected the market for the cattle. I do not want to camouflage a bit. That is about the level of the cattle prices that have been paid.

Senator NORRIS. If I understand you, your idea as to the prices you were paying to the packers was to see whether that price was fair. You did not go back further than the price you had to pay the packer for his product?

Mr. COTTON. Not every day; no; not in regard to some of our purchases, nor where the market was generally regarded as satisfactory by the purchasers. I left it alone.

Senator NORRIS. I can see very clearly how you might do that. At the same time, if there was nobody on the Food Administration to go back further and see that the real producer was properly cared for, then it seems to me there was a screw loose somewhere in the machinery.

Mr. COTTON. Do not jump at that conclusion, sir, because on December 5, when that was said, every man on the cattle advisory committee, I think, was saying, "Now, take your hands off the cattle market; keep out of it; don't do a thing." I mean, they were jolly well content at that time, and my purchases were so small I was leaving it alone. That is true now.

Senator NORRIS. As I understood you awhile ago, though, you pursue that policy yet?

Mr. COTTON. No; I have just shown you that I varied from that policy in trying to change the grades. There is not any man in the United States that I know that is able to give you data on the cost of producing cattle that you can tie to. It is more or less a matter of grades. When the purchases were small and when the market was generally satisfactory to the producers with whom I was in touch, I was letting the market take its course and merely paying a price which the market for cattle justified. The fact that I was varying that course does not mean necessarily that I was not trying to be square to the producer. Those things are perfectly consistent.

Senator NORRIS. Yes; I can see how that might be; but in the broad view that I try to get, looking at the whole thing, it seems to me that there could be a just criticism made against the whole plan, on the ground that the Food Administration did not take into its view the whole scope of the matter; in other words, that in December you stopped with what the packer paid, and then when you ran across a letter like the one the chairman called your attention to awhile ago, in which a representative of the Food Administrator told the packers that the price must not be raised to the producer, I do not see how you can reach any other conclusion than that the producer has not been looked after properly.

Mr. COTTON. You seem to forget, or not to place sufficient emphasis upon the fact that our cattle purchases from November to February were a drop in the bucket, not sufficient to do much of anything to the cattle market, no matter how they have been handled. For instance, if instead of my division there had been a man whose one aim there was to get a high price for cattle, the highest price all the time, he could not have done much.

Senator NORRIS. Mr. Cotton, you will agree with me in this, I think, that if we are going to regulate anything, no policy is proper unless it does take into consideration the producer.

Mr. COTTON. I certainly agree with that.

Senator NORRIS. I want to ask you a few questions about hogs. As I understand, one of the objects that the Food Administration had in view was to stabilize the price of hogs?

Mr. COTTON. Yes, sir.

Senator NORRIS. Now, Mr. Wallace, of Iowa, testified before us the other day, and he had a diagram showing the variation of hog prices. He had other information on the diagram, but I had that transcribed; I did not do it myself, but my instructions were to make an exact copy of what he had, with a view only to showing how the price of hogs had varied. I want to show you this and get your comment on it. These lines (exhibiting diagram) show the variation of prices in hogs in December, January, and February last. The red line shows the changes from December 1 to March 1, 1918. The black line shows the hog prices on a ten-year average from December 1 to March 1. The green line shows the hog price changes from December 1, 1914, to March 1, 1915. That was before we went into the war.

That shows on its face that the hog prices in December, January, and February last, under the Food Administration varied a great deal more than the hog prices either on the ten-year average or for the same months just before we went into the war.

Mr. COTTON. I would be glad to comment on that. On this chart the black line shows a fairly level price, growing progressively higher in February.

Senator NORRIS. That is the 10-year average.

Mr. COTTON. That, as you would expect in any average of a number of variables, for a number of years, at substantially the same times, is practically level. The red line, which is the hog prices for this winter, shows a much greater variation than the green line, which shows the prices for that winter of 1914-15.

The reasons, so far as I am able to assign them, for variations this winter rather than the winter before the war are several. They may not be conclusive. For instance, you will see at the end of January an enormous drop in prices—a slash in prices. If you will recall, there were weather conditions in Chicago just before that slash, such that hogs practically did not come to the market at all. Then a let-up, and hogs flooded the market. You will realize that January and February is a period of accumulation and that the packers are buying as cheaply as they can.

The CHAIRMAN. Did the flood, Mr. Cotton, when it came, raise the receipts for the period of shortage above the level?

Mr. COTTON. In January?

The CHAIRMAN. Yes, sir.

Mr. COTTON. I have here another chart of the same kind. The Chicago receipts for 1917, which had been consistently below 1916, on the 19th of January fell off almost 150,000 below the 1916 level. On the 26th of January I find them coming up again above the 1916 level.

Senator NORRIS. What year are you speaking of?

Mr. COTTON. I am now speaking of 1917.

Senator NORRIS. That is, 1917-18.

Mr. COTTON. I was showing the line for 1917-18. In the middle of the month you will find an enormous drop, then going up again.

Senator NORRIS. That was February?

Mr. COTTON. That was toward February.

Senator NORRIS. And then they went away down again?

Mr. COTTON. Went away down again, most probably due to weather conditions. Now, the variations of the hog market in this past winter have been wide—much wider than anybody likes to say, much wider than is good for the producer or good for the packer or good for the consumer. And it is a matter than I do not know how to correct, unless you gentlemen take charge of the hog market and say to the packer, "Pay so much"; and that has not been done.

Senator NORRIS. Is it not demonstrated, assuming those things to be correct, which I do, that there have been greater variations in the hog market in December, January, and February, just passed, than were ever known in those three months in the history of the United States?

Mr. COTTON. I do not know that it was greater than was ever known, but certainly greater than usual.

Senator NORRIS. It was away beyond the 10-year average, was it not?

Mr. COTTON. Well, that would not show anything; but it was beyond the usual. The 10-year average is no guide at all.

Senator NORRIS. But if one of the objects of the Food Administration was to stabilize hog prices, does it not follow certainly that they have made a great failure of the thing in those three months, so far as stabilization is concerned?

Mr. COTTON. Whatever the Food Administration has done has, I think, helped very much to maintain it at a level above the announced minimum; but whatever they did was unsuccessful in avoiding wide, regrettable breaks from time to time in that market.

Senator NORRIS. As I understand you, you think it would have been much worse if the Food Administration had not undertaken the matter?

Mr. COTTON. That is what everybody is saying; that reminds me of so many forms of excuse that have been put forth that I do not like to use that form of words.

The CHAIRMAN. Did the cattle market experience the same variations?

Mr. COTTON. The cattle market experienced the same variations of receipts, but by no means the same variation of prices.

The CHAIRMAN. Why was that? Can you account for that?

Mr. COTTON. Can I account for it?

The CHAIRMAN. Yes.

Mr. COTTON. Yes; I think I can. But some of these questions you gentlemen are asking me are pretty hard to answer.

The competition in the hog market is, shall we say, much more violent than the competition in the cattle market. There are a lot more people in that market buying all the time. In the cattle market there are a comparatively small number of men in the market. Each one of those people goes in and buys enough for their distributing purposes in the cattle market, and when they have got enough they quit.

The CHAIRMAN. I can see how that might account for some of the difference—

Mr. COTTON (interposing). In a period of heavy receipts, speaking generally, you will find the buyer less eager. But with the hog market—here are all these little hog men, some of them with export business, who are keen to get the hogs; and those men turn over their business very quickly; they do not carry them for long periods; they do not accumulate. The competition in the hog market is much more severe.

Senator NORRIS. But that would apply every year; that is not exceptional for the last three months.

Mr. COTTON. Pardon me; that does not explain the particular variances of 1918; I was answering a question of the chairman as to why it is that one varies and the other does not.

The CHAIRMAN. I see how the large number of competitors in buying hogs would accentuate the prices when the receipts fall off; and it would seem to me that it would protect the price against falling when the flood came along that was supplying the deficit that had happened in the receipts.

Mr. COTTON. Well, the beef is usually, as you will remember, a perishable commodity; the beef comes to market, and a man buys it only because he can sell it again within a reasonable period. In the case of hogs, he buys, cures, and holds. They are both live stock;

they are alike in many ways, but the market conditions of the two are very different.

The CHAIRMAN. Those factors would contribute to the stabilization of the hog market?

Mr. COTTON. No; they would contribute to the stabilization of the perishable market. That is, so long as you are dealing with a perishable commodity, the man who buys will buy only what he can sell right away, and therefore the competition is merely to get his share. Do you follow me?

The CHAIRMAN. Yes; I follow your statement, but it seems to me that the fact that they can carry their hog products over a long period of time would enable them to stabilize the price.

Senator PAGE. As a rule, are the margins of profit wide or narrow?

Mr. COTTON. They are quite narrow; more narrow than almost any normal manufacturing business that I have dealt with; they surprise you with their narrowness.

Mr. Chairman, Dr. Durand wants to get away; may I suggest that you question him now?

The CHAIRMAN. I want to ask you a few more questions first.

Mr. COTTON. I am perfectly willing to answer any I can.

The CHAIRMAN. Dr. Durand is your first assistant, is he not?

Mr. COTTON. Yes; but he is not only that; he is my first assistant, and he was there before I was.

The CHAIRMAN. Yes. You stated a few moments ago that you had had no experience in the live-stock business yourself.

Mr. COTTON. Yes, sir.

The CHAIRMAN. Has Dr. Durand had any experience in it?

Mr. COTTON. I think not.

The CHAIRMAN. Who are your other assistants?

Mr. COTTON. The only other assistant who is other than a clerical assistant is E. L. Roy, of Chicago.

The CHAIRMAN. What was his business?

Mr. COTTON. He is a technical hog man, after you kill it.

The CHAIRMAN. Has he been connected with any of the packing houses?

Mr. COTTON. I am not sure.

The CHAIRMAN. He has not been engaged in the production of live-stock, has he?

Mr. COTTON. No.

The CHAIRMAN. Has Mr. Coleman been connected with you?

Mr. COTTON. He may be one of the clerks; he is not connected with us in any other way.

The CHAIRMAN. Is Mr. Preevey connected with you?

Mr. COTTON. No.

The CHAIRMAN. He is a chicken man. Does that come under your wing? [Laughter.]

Mr. COTTON. Not under my wing; he sits under his own wing.

The CHAIRMAN. Does Mr. Brook come under your jurisdiction?

Mr. COTTON. No. I see Mr. Brook, and I holler to Mr. Brook once in a while when we can not get cars—or to his chief, Mr. Bell, or Mr. Spens. Mr. Brook has nothing to do with this business.

The CHAIRMAN. Has Mr. Heile anything to do with this business?

Mr. COTTON. No; Mr. Heile was the head of the bureau which dealt with the allies as to all sorts of provisions. He has never had anything to do with this meat buying, or anything of the kind.

The CHAIRMAN. Well, you have been associated with no men engaged in live-stock production?

Mr. COTTON. Do you mean on the regular force?

The CHAIRMAN. Yes.

Mr. COTTON. With no man. Of course, that does not mean that I have not consulted them, you understand.

The CHAIRMAN. Yes.

Mr. COTTON. But you mean the regular day-to-day force of the office?

The CHAIRMAN. I mean there is nobody connected with the Food Administration who is vested with any power who is engaged in the live-stock business, or the handling of meats—or who is an actual producer?

Mr. COTTON. Well, there are people in the Food Administration who have power enough, but no man in the Meat Division that I know of who has that combination.

The CHAIRMAN. Yes; who is a producer.

Here are a series of resolutions adopted at a farmers' institute at Bloomington, Ill., in which they profess to quote from a telegram received from you, to the effect that the prevailing price of corn was fictitious and ought to be reduced. I will have the clerk of the committee read the exact language.

(The clerk of the committee read the telegram, as follows:)

In a telegram addressed to this meeting, Mr. Cotton says, "The price of corn is at a fictitious level," and adds "I hope the price of corn will fall."

The CHAIRMAN (continuing). Did you send any such telegram as that?

Mr. COTTON. While I do not recollect, I think I would have done so—and I certainly believe it.

The CHAIRMAN. Will you find out and file it with your statement, if you did send such a telegram?

Mr. COTTON. If you will let me see the whole telegram, perhaps I can tell.

The CHAIRMAN. That is all there is to it. [Handing telegram to Mr. Cotton.]

Mr. COTTON. To whom is it addressed?

The CHAIRMAN. It is addressed to that Farmers' Institute at Bloomington, Ill. Did you send it?

Mr. COTTON. You can assume that that is correct. That correctly states my view.

The CHAIRMAN. That correctly states your view, whether you sent the telegram or not?

Mr. COTTON. Yes.

The CHAIRMAN. Have you done anything to force down the price of corn?

Mr. COTTON. Have I?

The CHAIRMAN. Yes.

Mr. COTTON. No, sir.

The CHAIRMAN. Has the Food Administration?

Mr. COTTON. So far as I know, no. And yet I want to qualify that answer. The allies had to be in the corn market, because they needed the corn; and undoubtedly in their buying they were advising with somebody in the Food Administration. On a certain day they practically stopped buying. Now, anything like that has an effect on corn prices; and that was a thing that the Food Administration probably knew about. Do you mean did they do it? No; they did not do it.

The CHAIRMAN. The corn market broke a short while ago, did it not?

Mr. COTTON. Yes, sir.

The CHAIRMAN. The price fell from 30 to 50 cents a bushel?

Mr. COTTON. I think so.

The CHAIRMAN. That was in accordance with your views that that ought to have happened, was it not?

Mr. COTTON. Did I say "ought to happen"?

The CHAIRMAN. Yes.

Mr. COTTON. I thought I said "I hoped it would happen."

The CHAIRMAN. I presume it was in accordance with your hope that what ought to happen would happen?

Mr. COTTON. Yes.

The CHAIRMAN. Do you know anything about an order sent out some 10 days or two weeks ago urging the farmers to move corn to the exclusion of other grains, because the allies did want the corn?

Mr. COTTON. No; I do not know anything about that.

The CHAIRMAN. I have here a telegram from the Dixie Grain Co., of Fort Worth, Tex., addressed to Senator Sheppard, and I will ask the clerk of the committee to read it to you, and will ask you if you know anything about it, or if you can tell us who does know anything about it.

(The clerk of the committee then read the following telegram:)

FORT WORTH, TEX., *March 18.*

HON. MORRIS SHEPPARD,
Washington, D. C.:

Ten days ago there was an urgent demand for corn. Producers and dealers were told by the Food Administration that it was far behind its program of supplying Europe, and they were urged to strain every nerve to ship as much corn as possible.

The CHAIRMAN (continuing). You know nothing about that, do you?

Mr. COTTON. No; I do not. I do not doubt that is true. They needed the corn and needed it terribly, and they not only needed it but had to have it very quickly.

Mr. THOMPSON (reading):

The Railroad Administration was criticized for failure to supply cars, and in every way the impression was created that every bushel of corn that could be shipped before spring farm work commenced would be urgently needed. Producers and shippers of grain have responded to the appeals that were made to them. They have held back their oats and other grains and have given preference to shipping corn, never suspecting for a moment that there would be any interference with the demand for a commodity in such an abundant supply as corn, of which the largest crop ever produced was raised during the crop year of 1917. It is therefore difficult to imagine the feeling of producers and shippers when all of a sudden and without warning the export demand for corn came to a sudden stop, and they are forced to sacrifice grain for which they expected to find an urgent demand, foreign buying having been placed

entirely in the hands of one buyer, the Wheat Export Co., an organization supposed to be composed of the Governments of Great Britain, France, and Italy. This organization was naturally suspected of market manipulating. We to-day, however, are in receipt of a telegram from the Wheat Export Co. stating it to be a matter of regret that they can not buy more corn, assigning as a reason that they are under strict instructions from the Food Administration not to do so. There are several questions presented by this situation, but the outstanding one and the question that deserves immediate and serious consideration is the good faith of the Food Administration in appealing for the largest possible movement of corn, and then withdrawing the main support of the market when the heavy movement is at its height.

Another question relates to the wisdom of entrusting to one man as much power as is used by the Food Administration, and still another, and one of the very great magnitude, is whether he has not acted in bad faith with Congress by exercising far greater powers than were conferred upon him. So far as we are personally concerned the time has come when we can not conduct our business with any degree of certainty. We never know what a day will bring forth. The immutable law of supply and demand has been suspended, competition between foreign buyers has been destroyed, concentration and monopoly have superseded the open competitive market, and producers and distributors are now at the mercy of one man, and that man is the man selected by a foreign Government to evolve a system for holding in check the surplus food produced in the United States. Please furnish copies to Senator Gore and Senator Reed.

DAZEY MOORE GRAIN Co.
(4.37 a. m.)

The CHAIRMAN. There are some points in that I would not ask you to discuss.

Mr. COTTON. I would just as leave comment upon them.

The CHAIRMAN. I refer to the propositions of bad faith.

Mr. COTTON. Oh, no; I would like to comment upon them if you would let me. May I?

The CHAIRMAN. Yes, sir.

Mr. COTTON. I would say that gentleman was hit by this same immutable law of supply and demand that he thought was suspended.

The CHAIRMAN. If he had bought largely and the market was evidently shut off?

Mr. COTTON. If he bought for the purpose of selling again, he probably got stuck. But remember no person, foreign government, or anybody else would ship corn to Europe from the United States during a period which it would probably be ruined by germination en route.

The CHAIRMAN. You said a minute ago that they were in urgent need of corn?

Mr. COTTON. They certainly were.

The CHAIRMAN. And were buying, I suppose?

Mr. COTTON. I assume so. That is largely one of the things that put up the corn market.

The CHAIRMAN. Do you think this man could not ship owing to the season, or was it because this condition so suddenly came upon them after this came out?

Mr. COTTON. I do not know. I meant they would be very foolish if they bought at a period later than they could ship.

The CHAIRMAN. It did not seem they profited. It would seem from this telegram that the Export Grain Association or the Food Administration did it.

Mr. COTTON. What did he know about it. I mean he can not see what everybody in the Food Administration did.

The CHAIRMAN. That is the point. Who can tell us that?

Mr. COTTON. I do not know, but I hope the foreign buyer—you would have to learn that from the Food Administration; maybe he did.

The CHAIRMAN. You do not know whether a campaign was started some 10 days ago for this extra supply? You stated you did not?

Mr. COTTON. I do not know that accurately.

The CHAIRMAN. It was to supply the needs of the allies, this man says, and for exports; and he also says this order came from the Food Administration. The point I want to get at is to find out from whom we can get the information, true or untrue.

Mr. COTTON. May be that is not Mr. Barnes. I will inquire and send word who it is. It may not be him at all. I may be putting something in his hands that he has not handled.

The CHAIRMAN. So, at any rate, the price of corn has gone down the past few days?

Mr. COTTON. Yes, sir.

The CHAIRMAN. And that was in accordance with your hope?

Mr. COTTON. Certainly. I wish it would go lower.

The CHAIRMAN. That is all.

Senator GRONNA. I have your answer to the question propounded by the chairman, Mr. Cotton, that neither you nor any of your associates are practical farmers or that you knew anything about producing cattle or grain. I will admit, for the sake of argument, that it is possible for a man of your intelligence and ability to do justice to the producers, providing you adopt a standard. Now, what standard have you adopted to assist you in getting at the facts so that you know that you are doing justice to the farmer in figuring the profit?

Mr. COTTON. On hogs, I have been largely aided by the report of the production committee—I mean, that is, where I think so far as I have had an influence it has been a fair influence. On cattle I have got a large amount of data from the agricultural colleges, from all the gentlemen who have been before you, from the various people whom I regard as expert men in that field, or more or less expert men in that field. That has not resulted in creating a standard capable of being applied to cattle prices.

Senator GRONNA. You say you have got the data from the men who were here before this committee?

Mr. COTTON. I think all the men who were before this committee have talked to me—perhaps not all, but most of them—that is, those men and many more of the same kind.

Senator GRONNA. Of course, that is mostly from feeders, is it not?

Mr. COTTON. I have been in touch a long while with men who more intimately represented the producers also.

Senator GRONNA. Does that indicate that the results have been unsatisfactory?

Mr. COTTON. To the feeders?

Senator GRONNA. Yes.

Mr. COTTON. Yes.

Senator GRONNA. Then, why has not any change been made?

Mr. COTTON. Simply for the reasons I have stated so much, that our buying in the cattle market has not been enough to affect that.

Senator GRONNA. Yes; but I think your testimony shows conclusively, Mr. Cotton, that the board, consisting of people from our own country and the allies, have pooled and it is one buying agency?

Mr. COTTON. Surely.

Senator GRONNA. I do not think anyone can doubt but what that agency can control prices, because you control supply and demand; that is, you control the demand for certain grades of goods. Is not that true?

Mr. COTTON. I do not think it is true as to cattle, although it may get to be more an influence as those purchases grow larger.

Senator WADSWORTH. What proportion have your purchases for foreign delivery and for the Army and Navy bear to the whole production?

Mr. COTTON. Of cattle?

Senator WADSWORTH. Yes.

Mr. COTTON. Up to date, 4 to 6 or 7 per cent. It varies. It is hard to give precise figures. Of course, of hogs, you understand, it is much greater.

Senator GRONNA. You have told the committee, and I will say you have shown a willingness to give such information as you have, which has been very valuable to me. You have told us how you are dealing with the packers. There is no need to go over that at all. But I think that anyone who has heard your testimony will conclude that you have tried to do justice to the packer and give him a reasonable profit. Now, have you taken into consideration, in figuring the profit for the producer at the rate of interest he pays, or can you tell the committee?

Mr. COTTON. I think I know the rate of interest he usually pays. Is that what you mean?

Senator GRONNA. Yes.

Mr. COTTON. I do not think any man carrying cattle gets off at less than 8 per cent.

Senator GRONNA. You know it has been larger than that, on the average, do you not, Mr. Cotton?

Mr. COTTON. No; I would not say it had.

Senator GRONNA. Before the war?

Mr. COTTON. Oh, sometimes; it has been larger. But he would get it for 8 or 9, I should think; somewhere around there.

Senator GRONNA. That would apply to the feeder. But, how about the producer, the man who raises the cattle and sells them on the market?

Mr. COTTON. He has often had to pay all sorts of rates for his money, I mean very high rates at times.

Senator GRONNA. Can you tell about what that rate was?

Mr. COTTON. I would hardly like to guess. It varies a great deal in different localities and under different conditions. Sometimes it has been very high.

Senator GRONNA. Would not that be one factor entering into the cost of production?

Mr. COTTON. Surely, a very important one, as a matter of fact.

Senator GRONNA. Is it not exceedingly important to know what it actually cost the farmer, and is not the only way you can ascertain that is by knowing the cost of his plant, of his farm, of his labor, of the rate of interest he pays, and is it not absolutely necessary for

you to know that in order to know that he is making a profit, or even getting cost out of it?

Mr. COTTON. To tell about any one farmer, it is absolutely essential to know all of those things.

Senator GRONNA. Do you feel that you and your associates do know that?

Mr. COTTON. Do I feel that I know it?

Senator GRONNA. Yes.

Mr. COTTON. No, sir; nor any other man in the United States.

Senator GRONNA. You do not think there is any other man who knows that?

Mr. COTTON. I do not know of any.

Senator GRONNA. You do not know of any man who knows what it costs to raise cattle?

Mr. COTTON. Lots of men know what it costs to raise cattle in a particular territory. You mean, is there any man in the United States to whom you can turn and get an answer on that question?

Senator GRONNA. Yes.

Mr. COTTON. No man can give a satisfactory answer.

The CHAIRMAN. The Department of Agriculture on the 1st day of July, 1916, issued a report, No. 111, in which they undertook to show the cost of production of beef at that time, stockers, I believe, being \$10.20 according to that report. I have the report here. If that be true, of course, the cost has considerably increased since that date, has it not?

Mr. COTTON. Yes.

Senator GRONNA. I do not think you would have any trouble, Mr. Cotton, to find thousands of farmers who keep books.

Mr. COTTON. I quite agree with you.

Senator GRONNA. They could tell you, from the time a calf was born until the animal was sold, what it actually cost.

Mr. COTTON. There are lots of such books, and efficient ones, good ones, reliable ones.

Senator GRONNA. Have you made use of them?

Mr. COTTON. I have had a great many of those sent to me.

Senator GRONNA. Books?

Mr. COTTON. Yes; I have had a great many of those books sent to me. I have examined a great many of them.

Senator GRONNA. So that that is really the part of the standard you have adopted in ascertaining the cost of product?

Mr. COTTON. Yes; but it has not resulted in the adoption of a standard on cattle.

Senator GRONNA. Has it on hogs?

Mr. COTTON. It has resulted in my regarding these prices as not particularly good, but not particularly bad on hogs; yes.

Senator GRONNA. Which would you consider the easiest, to ascertain the cost on hogs or cattle?

Mr. COTTON. Oh, there is not any comparison. The hog is a comparatively simple problem as compared with the cattle. It is all right to mention cattle, but we are talking when we talk then about a lot of different things. We are talking about the corn-fed and the range-fed stuff, but it is two kinds of stuff. And you can not—no one I have seen yet could give satisfactorily grades of the cattle coming to the market that would be adequate even for quota-

tion and statistics. I mean, you ask him what kind he wants, and he says he wants "kind of half-fed stuff," that way, and they do not translate that into precise terms. It is really a tremendously hard thing.

Senator GRONNA. Is not that a policy adopted by the packers and about which there has been a great deal of complaint, not only by the producer and raiser of cattle but by the feeder?

Mr. COTTON. The packer has been callous to the producer. He has not really tried to be scientific in his buying. He bought as low as he could and sold as high as he could.

Senator GRONNA. It seems that your agency has adopted that same method.

Mr. COTTON. You are a little unfair; you really are.

Senator GRONNA. I do not want to be.

Mr. COTTON. I know you do not want to be, and that is why I am saying it. We found on coming in in November the freezers full, and we have to take that out. We had not been largely beef buyers. Now, we come in and have got to have it in a rush. If this was a thing you could sit down and systematize and get it out and really be scientific, that would be easy and fine, and none of us would be here talking about it. But the trouble is that this stuff has got to move, and move at once, and you have got to do it by rough methods.

Senator GRONNA. I think I see your point, and it is this. I do not want to misquote you, of course.

Mr. COTTON. No.

Senator GRONNA. But I think I see your point—that the orders you receive are orders for a certain specific class of goods, and in order to move it out of the freezers it has to be that particular class of goods. Is that the idea?

Mr. COTTON. Yes; but not quite that. Those orders for particular kinds of goods do not in themselves constitute grades of cattle capable of segregation from the great mass of cattle. For instance, the order will come in to buy a carcass averaging 400 to 500, or a cow averaging from 400 to 500. Cows averaging from 400 to 500 is not a grade of cattle. It is somewhat a hint, but it is not anything like a scientific grade of cattle.

Senator GRONNA. I think we all agree that the question of first importance is production, and, of course, the next thing is at this time to get the meats over to the allies. I do not think there can be any question about that.

I have studied the question somewhat with reference to grain, and I think it is of exceedingly great importance. The speech of the Senator from New York on yesterday told about the production of wheat, but I think it is just as important with reference to meat; and if we make the producer dissatisfied or if he is compelled to transact his business in such a way that he will be led to believe that we are unfair to him, and that he does not know whether he is going to make or lose, of course it will discourage him. The packer knows absolutely what he is going to get. You have fixed a standard valuation of his property. You allow him to include the amount of money he borrows as part of the capital, and upon that he takes a certain percentage, which I am not going to discuss. But there is no such thing as that and no such assurance as that indicating to the producer, according to your own testimony, Mr. Cotton.

Mr. COTTON. I should agree absolutely with your statement.

Senator GRONNA. Why is not that done?

Mr. COTTON. To give a promise?

Senator GRONNA. Is it not possible, in order to encourage production? I am, like yourself, interested in the outcome of the war.

Mr. COTTON. Sure it is perfectly possible, and to do so you ought to have two things, possibly three. You ought to have a scientific gradation. You ought to have, and must have, to carry it out successfully, a grant of the moneys of the United States. In order to do it and to do it wisely and successfully you also should take charge of the distribution. But, short of those three things, I doubt if it is wise to touch it by half measures, and I should hope it would be possible not to go into everything at this time. Certainly the staff and the division now working on it could not do all those things. That is a big task that will take years.

Senator GRONNA. You realize, of course, perhaps more fully than I do, that you can not disassociate the question of grain, especially the grain that enters into the finishing of the meat animal, and make a success out of the tremendous undertaking which you have now upon your shoulders. You said a moment ago, with respect to corn, that you thought corn was selling at a fictitious price?

Mr. COTTON. Yes.

Senator GRONNA. Why did you think that the price was fictitious?

Mr. COTTON. There were very small stores of corn in the terminal markets. Corn which had usually moved way from the farms to the terminal markets in much greater volume, to feed the commercial demand, had not been moved. There had been, before Mr. McAdoo took hold, a real breakdown in transportation. I am not trying to fix the causes of it, but that had been one of the causes of it. The corn was not in the terminal markets. The allies were also in the general market for corn in the terminal markets—that is, corn that had to go through the dryers.

There was a condition where there was a large demand. Corn was not at the place where it could meet the demand, and yet there was corn, only it was separated from the point where demand would have taken it by transportation, and by the fact that it had not moved, and it acted as you would expect it to act. The market went up and stayed up at a price that I should say—I do not know whether fictitious is the adjective to use or not because it was at that price, because of a sudden, sharp commercial demand and shortage at the terminal points, not a shortage in the world, but a shortage at particular points, and that was the reason I called it "fictitious," and that is the reason I hoped it would not be a permanent position, and that I hoped the price would drop, and because I felt that the high corn price was largely making trouble in the economic condition that I said that; and in that opinion I think most of the people who are feeding cattle, practical cattle feeders, will agree with me.

Senator GRONNA. Of course, you are speaking now of what I would call commercial corn—corn that grades a certain grade.

Mr. COTTON. I am speaking of corn that will grade for commercial purposes; that means practically dry corn.

Senator GRONNA. You realize, of course, that a great deal of the corn contains moisture to the extent of 40 per cent. Do you think it

would be profitable either for the producer or for the feeder to ship the corn to the cattle? Would it not be better to ship the cattle to the corn? Would it not save in the transportation and be a saving in every way possible?

Mr. COTTON. There was an enormous amount of that soft corn which was perfectly capable of being reduced to sound corn by the drying process. In answer directly to that question, sometimes it is necessary to ship the cattle to the corn, and other times vice versa. But your corn going to commercial uses mostly is not the corn that is fed to cattle.

Senator GRONNA. Was that question considered at all, Mr. Cotton?

Mr. COTTON. By whom?

Senator GRONNA. By your agency, by your administration?

Mr. COTTON. You mean the question—

Senator GRONNA. The question of the great amount of moisture content in the corn.

Mr. COTTON. Oh, yes, sir.

Senator GRONNA. If you ship it to market you have to pay the freight on the moisture as well as the corn, of course.

Mr. COTTON. And that is the reason I am so glad that some of these corn-belt people had an ordinary ready method of marketing that stuff in the shape of hogs.

The CHAIRMAN. If that is all, we are very much obliged to you, Mr. Cotton.

If Mr. Durand is here, the committee will now hear him.

Please state your full name to the stenographer.

STATEMENT OF MR. E. DANA DURAND, ASSISTANT HEAD OF THE MEAT DIVISION, FOOD ADMINISTRATION, CHICAGO, ILL.

Mr. DURAND. My name is Edward Dana Durand.

The CHAIRMAN. Your present address?

Mr. DURAND. Chicago.

The CHAIRMAN. And your present employment?

Mr. DURAND. Assistant head of the meat division, Food Administration.

The CHAIRMAN. I will ask you a few questions, Doctor, perhaps abbreviated, merely for the sake of the record. Have you had any experience in the production of live stock?

Mr. DURAND. No, sir.

The CHAIRMAN. Have you had any experience in the feeding of live stock?

Mr. DURAND. No, sir.

The CHAIRMAN. Have you had any experience in the packing business?

Mr. DURAND. No, sir.

The CHAIRMAN. Have you made any studies of the cost of production?

Mr. DURAND. Of live stock?

The CHAIRMAN. Yes, sir.

Mr. DURAND. Substantially none.

The CHAIRMAN. Have you made any study of the cost of feeding?

Mr. DURAND. Well, I have been examining these reports that Mr. Cotton has referred to that have come in with regard to present condi-

tions, and am fairly familiar with them. But as a general thing I would say I was not an expert on the question of the costs of feeding.

The CHAIRMAN. From your study of those reports, is it your conclusion that cattle feeders are making a profit or taking a loss?

Mr. DURAND. Taking a loss.

The CHAIRMAN. What about hogs?

Mr. DURAND. My opinion is that the hog feeder is not taking a loss, on the average, at all. I know there are plenty of individual exceptions.

The CHAIRMAN. What about sheep and lambs?

Mr. DURAND. The feeder of sheep, I think, beyond all question, has been taking a loss. Of course, the question of the amount of those losses is another matter.

The CHAIRMAN. Doctor, were you at the Bureau of Corporations when the so-called "Garfield report" was prepared?

Mr. DURAND. Yes, sir.

The CHAIRMAN. Did you have anything to do with the preparation of that report?

Mr. DURAND. A great deal.

The CHAIRMAN. Were your services invoked when the Borland resolution was up in the House?

Mr. DURAND. Yes, sir; the packers requested my services.

The CHAIRMAN. What was the object of that resolution?

Mr. DURAND. It was to require the Federal Trade Commission or some other governmental authority—I think it was that—to investigate the packing business and the live-stock business.

The CHAIRMAN. Did you favor or oppose the passage of the resolution?

Mr. DURAND. I had no views on it, particularly.

The CHAIRMAN. Did you prepare any brief upon the subject?

Mr. DURAND. No, sir.

The CHAIRMAN. Did you prepare any statement in connection with the resolution as to how the investigation should be made?

Mr. DURAND. No, sir; I made a suggestion here in Washington that a certain method of investigation should be pursued, quite independently of any question of the Borland resolution.

The CHAIRMAN. Was it your suggestion that Dr. Brand should make the investigation?

Mr. DURAND. My suggestion was to Dr. Brand that he should establish a series of systematic, current monthly reports with regard to the business of the packers.

The CHAIRMAN. Was that the so-called "Brand bet settling" proposition?

Mr. DURAND. I do not understand, Senator.

The CHAIRMAN. Was that the so-called "Brand automatic bet settling" proposition?

Mr. DURAND. I never heard it called by that name, Senator.

The CHAIRMAN. Well, some letter has been brought out in this Heney investigation in which some suggestion or proposition that Mr. Brand issued should be known as the "Automatic bet settler" with respect to the price of live stock.

Mr. DURAND. I have never seen it, for some reason.

The CHAIRMAN. Did you render the packers any service while the Borland resolution was pending?

Mr. DURAND. I do not know just when the resolution was pending. I rendered Swift & Co.—not the packers as a group—a little service in the fall of 1916. The resolution may have been pending, but I do not know but what it had already passed.

The CHAIRMAN. Did it have some relation to that?

Mr. DURAND. It did not.

The CHAIRMAN. Did it have any relation to the investigation of the packers?

Mr. DURAND. No, sir.

The CHAIRMAN. What was it?

Mr. DURAND. Swift & Co. or one of their employees had prepared a statement with regard to the business of Swift & Co., their profits, their margin between the price of live stock and the price of finished products, and a further general discussion of the causes of fluctuations in the prices of live stock and of meats, and the relations of supply and demand in the meat business; and they requested me to edit that for them and make it as effective a presentation, if you please, of their business as it could be. I agreed, without undertaking to verify their statements of fact, to examine the economic lines of argument as to the relation of supply and demand and the statistics, and put it in shape, which I did.

The CHAIRMAN. Was there any proposition that you should edit a monthly statement of that sort?

Mr. DURAND. No, sir; not that I recall.

The CHAIRMAN. I will get the clerk to read you a statement attributed to Mr. Wilhelm, addressed to the representative of Cudahy Packing Co. at Omaha.

Mr. DURAND. I am familiar with it.

The CHAIRMAN. Of course, it is ex parte so far, and we should be very glad to hear from you on the subject.

Mr. DURAND. The letter is already in your record.

The CHAIRMAN. Yes; I would like to have it in its place, doctor.

Mr. THOMPSON (reading):

Dr. Durand said that this thing would have to be handled in some way to avoid advancing the cattle market; that that was the thing that absolutely must not come about, and if it did he would take drastic measures to prevent it; * * *

The CHAIRMAN. The letter contains the names of the representatives of these different concerns who were present?

Mr. DURAND. That is not nearly the whole of the letter that is printed in your proceedings here.

The CHAIRMAN. I know it has been printed. Did you attend the meeting of the representatives of the packing houses on that date, January 17?

Mr. DURAND. Yes. It may have been the day before; it was about that date.

The CHAIRMAN. Is this representation of your statement correct or incorrect?

Mr. DURAND. No, sir; it is not correct. You asked, I believe, did you not, what companies were present? Does that appear?

The CHAIRMAN. It does appear in the letter, and the particular individuals who represent them also appear.

Senator GRONNA. He says it was not correct. [To Mr. Durand.] If it is not correct, wherein is it wrong? What did you say with reference to it?

Mr. DURAND. Will you permit me to answer quite in full as to the whole conversation?

Senator GRONNA. I think it is important.

Senator NORRIS. Yes; tell it all.

Mr. DURAND. The circumstances which led up to the meeting and the conversation if I may. On or about the 1st of January it appeared that the packers had rather large stocks of frozen meat. That appeared in the published reports of the Bureau of Markets, and the opinion was expressed by a good many packers to me and to Mr. Cotton, and also the fear was expressed by a number of cattlemen, that with that stock of meat—and the probable increase in the number of cattle that would come to market after the soft corn had been more or less fed out—short-fed cattle, as they are called, and soft-corn fed cattle—there would be a fall in the price of live stock; and it has been the policy of the Food Administration to do what it could within the limits of its power to prevent fall, both in cattle and hogs. The only way in which a fall in the market could in any way be checked was by placing unusually large foreign orders. Mr. Cotton therefore suggested to the British Government that they should place, or at least place in our hands so that we could place it if necessary, an unusually large order for frozen beef. The idea was to place, if necessary, an order in advance of the needs of the actual consumption in Great Britain and to store it there. The British agreed to do that only on one condition, that they should be able to get the meat at the current prices. In other words, they were willing to help support the cattle market but were not willing, as a result of it, to pay a higher price for that particular order of beef than would correspond to the then existing prices of cattle.

So the order was placed in our hands—not with the packers—in that conditional way; and I called, at Mr. Cotton's suggestion, a meeting of the packers to discuss the placing of that order. It then appeared—I asked them to bring information as to their stocks, and so on—that the stocks of meat suitable for export, or at least of the kind that the British would prefer to take for export, were by no means so large as it had been supposed; that the great stocks were of the meats put aside for sausage and for domestic trade, cuts of meats and parts of carcasses, and that there was no considerable quantity of actual frozen carcass beef in stock, and that the placing of as large an order as the British contemplated would, instead of merely supporting the market, probably result in a considerable advance. I informed the packers that the British did not have any immediate need of all this quantity, that it was an arrangement that was being made more to oblige us in the matter of holding up the price than to oblige the British, and that if the order was placed it would have to be without an advance in the price of cattle during the time they were acquiring the material to fill it—that is, of that class of cattle which the order contemplated buying—a comparatively low-grade product.

Senator GRONNA. These were your instructions to the packers?

Mr. DURAND. Yes; that if we placed the order it would be necessary.

Senator GRONNA. In order to keep the prices down?

Mr. DURAND. Yes; in order to keep the prices to the British down; that we could only place the order, in other words, at a price practically named in advance, and the packer obviously would not agree to fill the order unless he bought the cattle in some relation to that price. We did not agree at all at this meeting that the order would be placed. It was merely a conditional discussion as to what might be done. The packers then proceeded to say, in substance, that it would not be wise to place such a big order all at once; that it would result in the advance of prices, and that the British Government would not get meat at those prices; in other words, that they would not accept an order in advance for such a large quantity at a fixed price.

Senator GRONNA. Did you understand the packers were opposed to an increase in price?

Mr. DURAND. No; the packers were not opposed to an increase in price, so far as I know; neither was I. I was only discussing the possibility of placing this order and, as I say, the packers were not willing to accept an order for a large quantity of meat in advance of production on the basis of then current prices, because they believed they could not buy the product without the price going up.

Senator GRONNA. Were there any other reasons why they did not want to accept such a large order except that it might advance prices?

Mr. DURAND. Not that I know of; but, of course, they would have lost money if they had accepted the order at a fixed price and then had not been able to buy the product.

Senator GRONNA. I do not care to go into that.

Mr. DURAND. Then, there came the general discussion of what might be done if the British really had to have this meat. That was a different question, as to what would be the way in which the business could be handled if the British had to have the meat, and the packers said, of course, big orders would advance the prices. And I then said that the only way that that could be prevented would be, of course, by actual control of the situation by the meat division—that the possible method would be to allot the slaughter of animals among the packers so as virtually to destroy their competition. I did not say we would do it, nor contemplated doing it, nor is it a correct statement that appears in Mr. Wilhelm's letter. I did not say that the cattle market must not advance in any sense, except the sense I have said.

Senator GRONNA. It was not done by direction, but it was done indirectly?

Mr. DURAND. Oh, no; I think I have stated the exact situation.

Senator GRONNA. As a matter of fact, according to your own statement, did not you maintain this price by the orders you gave limiting the packers to the amount they should buy, and in that way eliminate competition? Was it not done by indirection?

Mr. DURAND. No; not in the least. As a matter of fact, the order was not placed in the form in which it was contemplated at all.

Senator NORRIS. Was it placed, as a matter of fact, in any way?

Mr. DURAND. The order was for a certain class of beef. We placed orders afterwards for a different class of beef.

Senator NORRIS. Can you tell us how large that order was?

Mr. DURAND. If there is no objection——

Senator NORRIS (interposing). About, if you can not tell us exactly.

Mr. DURAND. It was in the neighborhood of 80,000,000 pounds of beef.

Senator NORRIS. That meeting took place on the 17th day of January?

Mr. DURAND. Yes.

Senator NORRIS. Was it not a fact at that time that the feeders of cattle were losing money in this country?

Mr. DURAND. I was beginning to get some light on that. It was, of course, a situation that was developing and that has become more accentuated since.

Senator NORRIS. You are convinced, are you not, that feeders all over the country feeding cattle at that time were actually losing money?

Mr. DURAND. I am now; I could not say I was at that time.

Senator NORRIS. You did not know that then?

Mr. DURAND. The situation, of course, is one that takes time to ascertain.

Senator NORRIS. I am just asking you the question, whether you knew that at that time?

Mr. DURAND. We did not suppose that they were making money at that time; we believed that they were not.

Senator NORRIS. You knew then that there was not any other place in the world for the British to get that meat, did you not?

Mr. DURAND. That is not true, Senator; I beg your pardon.

Senator NORRIS. Could they have gotten it somewhere else?

Mr. DURAND. Yes; they could have gotten it from Argentina.

Senator NORRIS. Mr. Cotton told us the only place to get it was from these packers.

Mr. DURAND. I did not understand him to say that. Certainly, the British are getting large quantities of meat from South America.

Senator NORRIS. Did you think if you had not placed that order with these packers that they would have gone somewhere else, and would have been able to get that big order filled?

Mr. DURAND. I did think so and still do; in fact I am quite sure that they would have had to divert tonnage from other possible sources of supply in order to place that order.

Senator NORRIS. That was such a big order that even the big five, the biggest packers in the world, were not able to fill it without going out into the market and buying more stock?

Mr. DURAND. That is perfectly true.

Senator NORRIS. Do you mean to say that they could have gone to Argentina and bought that order?

Mr. DURAND. The British Government in the year 1917, for example, took very, very much more beef from the Argentine, to the best of my knowledge, than——

Senator NORRIS (interposing). That does not answer my question, Mr. Durand. Here was an order of 80,000,000 pounds.

Mr. DURAND. That is not a very great quantity.

Senator NORRIS. I understood you to say it was such a big order that they could not fill it unless they went out and bought from the

producer beef, and that is the reason you took this action that they must not increase the market, that it was so big. If left to its usual method it would have increased the price that the feeder would have gotten?

Mr. DURAND. No; it would have had practically nothing to do with the price of cattle that are fed; the grade of beef covered by the order was lower than corn-fed beef.

Senator NORRIS. Then what was the reason in telling these packers or in agreeing with these packers that while they were supplying this order they should not pay an increased price, if it would not have had any effect on the market?

Mr. DURAND. I tried to tell you we did not agree, and that the order was not placed in such a way, so far as we can see, as to have any effect on the market ultimately.

Senator NORRIS. The order was placed.

Mr. DURAND. Not as originally contemplated.

Senator NORRIS. I wish you would tell just how it was placed.

Mr. DURAND. That is what I was about to do.

The CHAIRMAN. I understood you to say a minute ago that the packers insisted it would increase the price of cattle.

Mr. DURAND. If it had been placed the way the British Government put in the order, it would have increased the price for cattle.

Senator NORRIS. But in the way in which it was placed would it not have increased the price of cattle?

Mr. DURAND. It would have no such tendency at all.

Senator NORRIS. Then, there would not have been any object in making any arrangement about holding the price?

Mr. DURAND. No such arrangement was made.

Senator NORRIS. I did not ask you that.

Mr. DURAND. No; there would be no object.

Senator NORRIS. There would be no object in making it?

Mr. DURAND. No.

Senator NORRIS. Then this man writing the letter was talking about something nonsensical?

Mr. DURAND. Talking about something conditional, as it might have been if the British Government insisted on placing that order under the terms originally contemplated.

Senator NORRIS. They knew it was not placed?

Mr. DURAND. This conference was adjourned, and the problem was mulled over by us in the office and with the British. We, of course, consulted with the British and finally worked it out.

Senator NORRIS. And when was the order finally placed?

Mr. DURAND. About the end of the month; near the end, about two weeks later.

Senator NORRIS. What was the order; what were its conditions?

Mr. DURAND. The original order was for this quantity of carcass steer beef, of light weight, not corn-fed beef; that is, not fancy cattle, and that quantity of that grade of beef would have been a very large quantity in proportion to any possible source of supply. The quantity of that grade of beef in stock was comparatively small as compared with 80,000,000 pounds, and the British Government decided, instead of placing the order in any such form, to buy a great deal more cow beef and cuts of beef.

Senator NORRIS. How much, can you tell us?

Mr. DURAND. I do not think, Senator, I am at liberty to tell you all of those things. But the quantity of that class of beef which was indicated in the original order—that is, 500 to 600 pound steer carcasses—was reduced from 80,000,000 to perhaps 20,000,000 or 30,000,000; I can not recall the exact figures—and other things substituted.

Senator NORRIS. What other things were substituted?

Mr. DURAND. Cow beef and still lighter steer beef than they had contemplated, 400 and 500 pound carcasses, and a wide variety or considerable variety of cuts, such as shoulder clods, beef hams, and boneless chucks, spencer rolls, and other meats of that sort, and also some hog meat was substituted.

The CHAIRMAN. What product?

Mr. DURAND. Some hog meat; about one-tenth of it was made from frozen hogs, the first order we ever had of that.

The CHAIRMAN. If the order had been placed as originally planned, it would have reacted on the price of cattle and would have advanced the price?

Mr. DURAND. Yes; and the British were not willing to place it in that way.

The CHAIRMAN. You are reported to have stated that the price of cattle must not be advanced.

Mr. DURAND. That the price of cattle to fill this order must not be advanced, because the British would not place the order.

The CHAIRMAN. And the order was so changed that the effect did not come to pass?

Mr. DURAND. That was right.

The CHAIRMAN. Would not whatever was diverted to Argentina have gone into the hands of these same packers—the orders for beef?

Mr. DURAND. I do not know what proportion of the business they do in Argentina; they are certainly doing a great deal.

Senator NORRIS. Was not the whole 80,000,000 pounds taken anyhow?

Mr. DURAND. Yes; but in a very much modified form.

Senator NORRIS. Yes; but the quantity in pounds was just as great as actually taken as contemplated that day?

Mr. DURAND. Yes; but I think one should also add that the quantity was shipped over a longer period of time than was originally contemplated.

Senator NORRIS. How long a period?

Mr. DURAND. I do not think the shipments were completed until at least the middle of March.

Senator NORRIS. What was the idea contained in the original order?

Mr. DURAND. The idea was to have it finished at least by the 1st of March.

Senator GRONNA. As I understand the doctor, it is this: That instead of placing the order for 80,000,000 pounds, the order was divided up into certain amounts—that is, smaller amounts—through a longer period of time.

Mr. DURAND. That is not correct. The order was ultimately placed at practically one day—that is, toward the close of the month or

possibly into February, about the 31st of January, and it was changed merely in the content of the order—very greatly changed.

Senator GRONNA. By the character of cuts?

Mr. DURAND. Yes; very largely substituting other meats, because those other meats were in stock, instead of making it necessary to kill very much larger numbers of the living animals to fill the orders.

Senator GRONNA. Knowing that the feeder was not making any money, did you not feel, as a part of the Government, that in order to run this thing successfully the producer must get a profit, and did you not feel it part of your duty to help him get it?

Mr. DURAND. Yes, sir; I, quite early in the winter—not as early as this, I imagine—commenced to urge the British to take heavier carcasses.

Senator GRONNA. Coming back to this order, having that in view and knowing that the producer was selling at a loss, and that this order meant a loss to the producer of this stock, what is the reason it would not have been your duty to take the position with these purchasers that the price must be such that the producer of the stuff will get a reasonable profit and insist on having that kind of a contract made, if they made any, and if you had stood on that, would they not have been required to have paid such a price that would have given the producer of the stuff a reasonable profit, no matter whether you modified the contract or not?

Mr. DURAND. We are pretty much limited in that matter by the possibility of their getting meat from other sources. I think that possibility will increasingly decline.

Senator GRONNA. The only place you have mentioned they could get it would be Argentina.

Mr. DURAND. That is the only practical place now on account of its being nearer than many other sources. Formerly huge quantities of meat was being obtained by the British from other sources.

Senator GRONNA. Do you not know that the same companies furnishing it from Argentina are the same as those furnishing it in Chicago?

Mr. DURAND. I do not know what the ownership is down there. I only know that several of the large packers are interested, but there may be other packers quite as large, for all I know.

Senator GRONNA. Is it not generally known that the same packers, known as the "big five," control the meat-packing business in Argentina?

Mr. DURAND. I do not think that is commonly known. I actually do not know. I do not even know that is at all near the truth, but I know they have a large business there.

Senator WADSWORTH. There is this to be said, that that would not affect the same class of producers; that is the important element.

Mr. DURAND. No.

The CHAIRMAN. Do you know whether the British and allies are buying meat from Argentina?

Mr. DURAND. Yes; they are buying meat in large quantities there at the present time.

The CHAIRMAN. We have been told that there are great stores of wheat accumulated in Argentina, and that it is not shipped to Great

Britain and the allied countries on account of the greater distances from Argentina to the allied ports than from the United States ports.

Mr. DURAND. I think that is probably true.

The CHAIRMAN. I think that if they could take meat they could wheat, and we are having wheatless days here when there are enormous quantities of wheat both in Australia and Argentina. Why do they not take the wheat as well as meat and lighten the meatless days and wheatless days?

Mr. DURAND. You are asking rather a large question of opinion, which is not wholly within my field of thought. I will tell you what I think about it. The price of wheat in Argentina, unless I am very much mistaken, is quite as high as the price here. The price here is doubtless held down——

Senator GRONNA. It is not higher there?

Mr. DURAND (continuing). Whereas the price of beef there is very much lower than here.

The CHAIRMAN. They have not a law or a food administrator in Argentina that makes the wheat farmer take less than the cost of producing it.

Senator GRONNA. I think you know, as a matter of fact, that wheat is higher in Argentina?

Mr. DURAND. I do not know it.

Senator NORRIS. Doctor, you are acquainted with Mr. Wilhelm, who wrote this letter?

Mr. DURAND. Yes; I am.

Senator NORRIS. And at that meeting all the so-called "big five" packing establishments were represented?

Mr. DURAND. Yes, sir.

Senator NORRIS. And as I understand you, you wish the committee to understand that Mr. Wilhelm who wrote this letter, in which he pretends to quote you, wrote it at a time when no contract had been made?

Mr. DURAND. Oh, yes.

Senator NORRIS. No order had been placed.

Mr. DURAND. No.

Senator NORRIS. Did he write it at a time when he did not know that an order was going to be placed before they got through with the negotiations?

Mr. DURAND. We knew, of course, some order would be placed, and he knew that; but as to its magnitude, no.

Senator NORRIS. How did you know any order was going to be placed? They might have gone and bought in Argentine.

Mr. DURAND. They regularly buy some beef here.

Senator NORRIS. Can you explain why, have you got any idea why Mr. Wilhelm would write this kind of a letter down to his firm if he did not practically know and was not practically assured that this order either had been placed or was going to be placed, and to misquote you this way? What could it mean? What would be his object?

Mr. DURAND. I should say the only way one could explain such an unusual letter was that Mr. Wilhelm quite misunderstood what was being discussed, did not get the right impression. Mr. Wilhelm I know quite well. I consider him truthful. I do not think he

would deliberately misrepresent to his firm, but the discussion took a rather long range as to the whole meat situation, the quantities that were in stock, and the quantities that the American people were consuming, and all that sort of thing. But it was altogether a tentative discussion. There were no instructions placed, further than to suggest to the packers that they keep on freezing some meat, that there would be orders.

Senator NORRIS. How long did you work for Swift & Co.?

Mr. DURAND. I would not call it "working" for them. The work I did in editing this brief, I should say, took me three or four weeks.

Senator NORRIS. What were you doing then? What business were you engaged in at the time you had that employment?

Mr. DURAND. I was teaching in the University of Minnesota. I do not think it is quite fair to use the word "employment." I did a piece of work, and I received compensation for it.

Senator NORRIS. I do not want to misrepresent. I supposed that was proper, but I will let you use any term you want.

Mr. DURAND. I was under no obligations to Swift & Co. as an employee.

Senator NORRIS. At the time you did this work you had no definite ideas as to whether the Borland resolution ought to pass or ought not to pass?

Mr. DURAND. Well, I—

Senator NORRIS (interposing). Were you not employed to do a certain thing, like a lawyer? You were employed to take their side, and you did that, and you made as good a showing as you could for them?

Mr. DURAND. I made as good a showing as my honest convictions regarding the facts would permit. I did not undertake to do as I think many lawyers do.

Mr. NORRIS. Oh, no; but you took their facts as being true. I am not assuming that it was dishonorable nor anything of the kind. I want to get the real truth.

Mr. DURAND. I assumed the facts were true; that was not part of my business to discuss that.

Senator NORRIS. Then the question as to whether you were doing something contrary to your belief is not involved in it. Your work was to prepare for them and for their side of the controversy, whatever it might be, or to edit, rather, something which had been given to you, and make it as plausible a showing for their side of the controversy as you could, and that is where your abilities lay and why you were employed?

Mr. DURAND. I suppose that comes pretty near being a correct statement.

Senator NORRIS. How long before you went into the Food Administration had you done this work for Swift & Co.?

Mr. DURAND. About a year.

Senator NORRIS. In the meantime you were in the university all the while?

Mr. DURAND. Yes.

Senator NORRIS. Before you came to the Food Administration?

Mr. DURAND. Yes.

Senator NORRIS. Did you do any work for any of these other packers?

Mr. DURAND. No. I have told you all the connections I ever had with the packers.

Senator NORRIS. Who represented Swift & Co. that day you had this meeting, when you talked about this big order of 80,000,000 pounds?

Mr. DURAND. I can not recall. There are only two men who ever represented them on such matters.

Senator NORRIS. I will read it from the letter and see if Mr. Wilhelm has it right. He says in the letter that Edward F. Swift, Charles H. Swift, and Carr, of Swift & Co.—were they all there?

Mr. DURAND. To the best of my recollection those are the three men. I was wrong in saying two. Mr. Charles Swift is no longer there. The other two men were the men that I ordinarily see in regard to beef from Swift & Co.

Senator NORRIS. Did you ever have any other transactions in your official capacity, while you have been in the Food Administration, in which any course similar to this was taken, that would hold down the price of the producers' products?

Mr. DURAND. I have held conferences with the packers from time to time. To the best of my recollection there has been no other case where any discussion or any action was even contemplated that at all resembled that.

I want to add that about the same time as this beef order was under discussion, there was a similar order contemplated with regard to hog products and, broadly speaking, the same line of thought was in the minds of the meat division as to the placing of that order. It was proved impossible to place that order under the terms which the British Government had suggested.

Senator NORRIS. Were you present in Chicago on December 6, 1916?

Mr. DURAND. Very likely; I do not know.

Senator NORRIS. At a session of the conference on distribution and farm credits?

Mr. DURAND. Yes.

Senator NORRIS. Did you give your ideas there as to what course should be taken in getting a basis of figuring a profit for the farmer or producer?

Mr. DURAND. Yes.

Senator NORRIS. Give the committee your ideas as to what that basis should be, as you stated them there, and as you still hold them, if you do still hold them.

Mr. DURAND. I stated at that time, and I still hold the view, that it is impossible for the farmer to get a price which represents the cost of production if you figure as part of the cost of production interest on the current market price of land, and that that was not, for that matter, a fair way to figure; but even if it were fair there was no human way in which the price of products could be increased so as to represent that kind of a cost of production, because the price of the land depends absolutely on the price of the products and the discounted anticipation of a future increase in the prices of products, and so long as that anticipation continues, as it certainly has for a good many years past, the price of the land will be greater than its present earning capacity, because it is the result of its present

earning capacity augmented by the discounting of greater future earning capacity.

Senator NORRIS. In getting at a basis upon which you could figure a profit for the farmer or producer, if the farmer had originally taken his land as a homestead and got it for nothing, under that theory you would not allow him anything for the value of the farm, would you?

Mr. DURAND. I decidedly would. My idea would be to figure as a part of the cost of production the rent of land as distinguished from interest on the market price, the money or rent, what the land would rent for, so many dollars an acre.

Senator NORRIS. You would not figure the rent as a part of the capital?

Mr. DURAND. No; I would figure rent as production cost, as operating expense.

Senator NORRIS. If the value of the land for rental purposes was \$5 an acre you would figure \$5 an acre for each year?

Mr. DURAND. Yes; certainly. But, in most cases, people in Illinois and Iowa will tell you the money rent you can get for renting land is less than the interest on the market price, and for the reasons I have stated, and consequently only the rent can be put in as cost, and not the interest on the market price.

Senator NORRIS. Now, at that conference, did you advance the idea that in trying to get at the basis of valuation, that you would figure in the original cost to the farmer of the land? Did you advocate this rental proposition then?

Mr. DURAND. No, because there was only a brief discussion of any particular point. What I was arguing against was the plan of figuring the interest on the whole of the land. It is perfectly obvious, Senator, that you must get products produced on land that is less favorable in its situation than, say, land in Illinois; that you must pay a price high enough to represent cost of production upon what is called marginal or poorest land.

Senator NORRIS. The rental of your Illinois land would be very much more, for instance, than Nebraska land?

Mr. DURAND. Exactly.

Senator NORRIS. So you would get into the same trouble because of differences in different locations that you are trying to avoid.

Mr. DURAND. I think you and I are in agreement on that. The point is that the rent on the Illinois land represents its superiority over this poorest land which you have to use, and it is almost a matter of indifference whether you figure the cost of production on that poorer land without any rent, or whether you take Illinois land and figure rent as part of the cost.

Senator NORRIS. I wish you would tell us what element you would include in figuring the cost price of fat steers. Just commence at the beginning and run right through, giving us your idea.

Mr. DURAND. You refer to steers that are purchased for feeding, I suppose?

Senator NORRIS. No; I want to take the farmer who raises the steer. Consider that he raises it and fattens it on his farm and sells it. What is the basis of computation?

Mr. DURAND. It depends, of course, on whether you want to figure what it actually costs that farmer.

Senator NORRIS. That is not what I want. I want to get at and to determine what a farmer ought to get in order to make a reasonable profit.

The CHAIRMAN. Assume that he was to get 9 per cent or 15 per cent.

Senator NORRIS. Yes; suppose that you were going to give the farmer the same deal that you give the packer—9 per cent and 15 per cent—where would you get the basis to figure the 9 per cent on?

Mr. DURAND. I think the problem is a more complicated one than that. The point is, you have got to pay the farmer a price for that steer, if he is a fat corn-fed steer, which will enable him to feed corn into the animal, and you can not determine the value of that corn to him by what it cost him to raise it, but you have got to determine it by the price of the corn at which he could sell it for alternative use—you really get away from the question of original cost of production.

Senator NORRIS. Do you not make this mistake, Doctor, that you do not differentiate between the feeding of that steer and the raising of that steer? I want to take them both; I want to get your ideas as to both.

Mr. DURAND. I think I did fail to make that distinction. Yes; you would have to pay for the unfattened steer if you wanted to represent the cost of production—a price sufficient to represent all the factors of cost that have gone into that steer, not allowing for the grain at all. Then, if you want the animal fattened and added quality put on, you have got to pay, in addition to that cost, the market price of the grain to the farmer, virtually, or else the farmer will not feed the corn to him. The factors that constitute the cost of the unfinished steer, I would say, were labor, rent, and interest on the building and other things of that kind.

Senator NORRIS. At their cost?

Mr. DURAND. No; at the cost of reproduction, substantially—the present cost of building those buildings.

Senator GRONNA. That would be a great deal more than the cost now.

Mr. DURAND. I would not think it fair to figure as high as the war cost of building buildings, because we do not encourage people to put up buildings during the war. But if a man built a building 30 years ago, say, when it did not cost much, and now under peace conditions it would cost him more, I would figure interest on that higher cost, but deducting depreciation, because if we are going to get these products produced, we have got to have a price that will permit the farmers to build new buildings from time to time.

Senator NORRIS. What do you do in respect to the cost of the land?

Mr. DURAND. Figure the rent.

Senator NORRIS. If you figure the rental value of the land, would that include the buildings?

Mr. DURAND. Not theoretically. Theoretically there is a distinction between the rental value of the land and the rental value of buildings. Practically, we rent land, buildings, and all.

Senator NORRIS. Is it not well known in the Food Administration by all of you that on that basis or any other basis that would give a return value to the producer, the steer and the hog and the lamb

has not been giving a return for his labor or his investment either one?

Mr. DURAND. I do not think that can be said to be true of the producer of the steer or the lamb as distinguished from the feeder.

Senator NORRIS. Is that true as to the feeder?

Mr. DURAND. I think the feeder of both cattle and sheep is losing money.

Senator NORRIS. Nor for the labor, do you? You throw in all his labor and he is still the loser?

Mr. DURAND. I think that you can not draw the conclusion from the individual cases that are submitted that the average loss is \$80 on steers or anything like that. It is considerable, I fear.

Senator NORRIS. But they are all losing on it?

Mr. DURAND. All except a few fortunate ones who, perhaps, bought their corn cheap or bought their steers very cheap.

Senator NORRIS. There is enough, at least, to make the business very discouraging; that is true?

Mr. DURAND. Yes.

Senator NORRIS. That is something we want to avoid, and the Food Administration wants to avoid, is it not?

Mr. DURAND. I think that we ought, of course, to do the best we can, and we are trying to reduce those losses for this year; but I do not think that the Food Administration ought—that is my personal view, and I do not know their views about it—to try to make it profitable to fat feed steers in the future during the war, but that moderate feeding or part feeding is what is desired.

Senator NORRIS. I doubt whether, if the Food Administration did promise it would, that the feeders would rely on it now. But ought it not be the object of the Food Administration and all of us to make it profitable for the producer of everything that we need—and that includes steers, sheep and hogs, and grain, and everything else.

Mr. DURAND. Of everything that we really, seriously need; but I would not say that we seriously need fat beef.

Senator NORRIS. You do not think we do?

Mr. DURAND. No; not the highly fed beef; it is a good deal of a luxury.

Senator NORRIS. You would not go to the extent of encouraging production, then, of what is known as the best beef?

Mr. DURAND. No.

Senator NORRIS. You would have it sold before it was completely matured?

Mr. DURAND. Yes.

Senator NORRIS. Is not that an economic loss?

Mr. DURAND. No; on the contrary—

Senator NORRIS (interposing). That is your estimation, is it?

Mr. DURAND. Yes; because it would take such a large quantity of corn to put on that final finish.

Senator NORRIS. You think we better not use the corn and get less beef?

Mr. DURAND. Use the corn and produce more beef of a lower grade.

The CHAIRMAN. Is it not true that more frames are required to market at the lesser weight and will you not run out of frames to market any beef at all unless you do fatten them?

Mr. DURAND. No; of course, we can eat our cattle without any corn being fed to them. If we had a light corn crop that would be a practically necessary thing in war time. But the only thing that determines how many frames—I suppose you mean raw cattle—

The CHAIRMAN. Yes.

Mr. DURAND. Will be produced is whether there is a profit in producing raw cattle. There is a market for such as human food without fancy feeding.

The CHAIRMAN. Suppose you have a given number of cattle. 5,000,000 frames, to market, and you market those at 900 to 1,000 pounds instead of 1,400 pounds. Evidently you have got to go short of meats—you have to market more frames?

Mr. DURAND. But in the production of this additional 500 pounds on those frames all of them consume food, and to the extent that food that is corn, which is a possible human food, the degree of wisdom in feeding it depends on the size of the corn crop and the conditions of demand for that corn. If we have an abundant corn crop we can afford to produce a great deal of pretty well-fed beef.

The CHAIRMAN. If you consume one-fourth or one-fifth more frames, will you not ultimately run out of frames and diminish your stock?

Mr. DURAND. I do not see any connection between the two things. The producer of frames will go on producing if he can get a sufficient price.

The CHAIRMAN. It takes more frames unless he makes them heavy.

Mr. DURAND. Then we will have to eat less meat in order to have more grain for human consumption, or else take measure by which we will get as great quantity of meat, but not the same quality. Mind you, a certain quantity of corn if feed more modestly will produce more meat.

Senator NORRIS. But to get the quantity of meat, as the chairman suggests, you would have to have more frames than if the animals were fully fed?

Mr. DURAND. Yes; obviously.

Senator GRONNA. Your idea is, then, that the producer will go on and produce frames, regardless of whether he loses money on the proposition or not.

Mr. DURAND. No, indeed; I do not.

Senator GRONNA. I know you have given this matter a great deal of study, especially when you were out there in the university, from a purely economic standpoint. What would you consider would be a fair, reasonable price to pay a farmer for keeping a steer for three years, that is about the time, you know, that they ship him, or begin to fatten them. What would you say would be about right to allow a farmer per day for keeping the steer; that is really the only way you can get at it?

Mr. DURAND. For his labor?

Senator GRONNA. For the cost of everything.

Mr. DURAND. That is asking me, as near as I can figure it, what it costs to produce steers?

Senator GRONNA. Yes.

Mr. DURAND. I do not know. I have never gone into the great detail of that calculation, and I quite agree with what Mr. Cotton said, that the cost of producing steers no one knows in any comprehensive way.

Senator GRONNA. No one knows?

Mr. DURAND. No.

Senator GRONNA. I do not think that is correct. I do not care to argue it, however. I think there are thousands of such men.

Mr. DURAND. Some people say it costs more and other people say it costs less.

Senator GRONNA. Would you be willing to pay the farmer 10 cents a day for taking care of a steer?

Mr. DURAND. I have really not any idea.

Senator GRONNA. That is \$36.50 a year, or \$109.50 for three years. Would that be too high? You know you could not hire a boy to pump water for less than that.

Mr. DURAND. If the farmer could take care, just by way of hypothesis, of 100 steers, at 10 cents apiece, it might be a pretty good return. I do not see how I can answer the question in that manner.

Senator GRONNA. You think taking care of 100 steers at 10 cents a day might pay him adequately?

Mr. DURAND. I have not an idea. You are asking what is the cost.

Senator GRONNA. You are in this department involving the entire meat and food production of the United States, and its supply to the world, I might say, and I ask you that because that is one of the fundamental things that enters into this whole business. I think you ought to know just as well what it cost to produce the cattle as what it does the packer to handle the carcass. It is an easy thing. Any man who knows enough to hold up an umbrella can calculate how much it will cost to take the hide off and sell the carcass. But I think the committee ought to have some information as to what it costs to produce the animal, and that at least your committee ought to have some information about it. Otherwise I do not see how you are going to do justice to the producer, and you might, from lack of knowledge, injure the industry to such an extent that we may be without food. Is not that true?

Mr. DURAND. If we were fixing prices, and fixing them too low, I think it would be a fair statement that we would injure the industry.

Senator GRONNA. How do you know whether you are fixing the price too low when you do not know what it costs to produce?

Mr. DURAND. I do not think we are fixing prices at all, and I rather hope we will not have to do it.

Senator GRONNA. Is it not a fact—you can answer it either way you desire—is it a fact or is it not that the question of cost of production is not taken into consideration at all; is not that true?

Mr. DURAND. No. On the hog we took very careful thought of the cost of production. On the cattle I think I will have to repeat that we did not believe that we could affect the price appreciably.

Senator GRONNA. Of course, that is not an answer to my question.

The CHAIRMAN. And when you got a big order in the placing of which you could appreciably affect the price, you so arranged it that it would not react on the price of cattle?

Mr. DURAND. The British Government so arranged it, if you please.

The CHAIRMAN. Inasmuch as we are interested in supplying the allies with food, you do not feel any obligation rests upon the American farmer or that any obligation rests on you to see that they receive that meat at less than cost?

Mr. DURAND. Absolutely not.

The CHAIRMAN. They are obtaining it at less than cost, are they not?

Mr. DURAND. I doubt if much of the meat of the kind they have been taking, the lower grades, has been unprofitable.

The CHAIRMAN. They take the lower grades of meat?

Mr. DURAND. Yes.

The CHAIRMAN. They do not take the higher grades?

Mr. DURAND. No.

The CHAIRMAN. The industrial workers take the lower grades in the United States?

Mr. DURAND. Yes.

The CHAIRMAN. And they have increased the consumption notwithstanding the meatless day?

Mr. DURAND. Yes.

The CHAIRMAN. The people who have retrenched have been the wealthy who could eat the finer and more finished beef?

Mr. DURAND. I think that is largely true, Senator.

The CHAIRMAN. Then by inducing the wealthy class to retrench on the finished meat you have reduced the demand for the feeders' stuff which he has been finishing highly, have you not?

Mr. DURAND. I think the meatless day has had a considerable effect in that direction.

The CHAIRMAN. The only way you can stop the diminishing consumption of the product is sometime or other stimulating the demand, is it not?

Mr. DURAND. Yes.

The CHAIRMAN. Now, could you compel the producer to take a loss on the finished animal? The Government being responsible for that condition, therefore, the Government is responsible for his loss. On the other hand, if you arranged to sell our allies stuff of an inferior grade and changed the orders so that prices were not advanced, who is responsible?

Mr. DURAND. We only do it because we can not make them take the better grade. We may think they ought to take it, and we are getting greater influence with the allies, Senator, as regards these products, because they are commencing to see that their possible future supplies might be jeopardized if they do not place orders with a view to stimulating production, but it has taken a long time to get them to agree to change the nature of their orders.

Senator NORRIS. I can see how it is desirable to have them agree and have everything agreeable, and I think you are justified in going to a great length to have an agreeable arrangement. At the same

time, I can not understand why—I will add to that assumption that I do not want to hold them up; I would be just as much opposed to holding up our allies and requiring them to pay an unfair and unreasonable price as I would to have them hold up any of our own citizens. We agree that far. Then, it seems to me, however, that we should be just as anxious to see that the producer, the middle man, whoever he may be, necessarily—all of them who have anything to do with the production of food in any form—should have a fair and reasonable profit for their efforts. If we agree to those things, which I think we can, does it not follow that because we are practically their only supply we can compel, and the Food Administration can compel a price that will bring those results, without holding them up in any way, by insisting that the producer in America shall get a reasonable profit for his labor?

Mr. DURAND. I think that apart from any question of compelling they can from now on be influenced to act in that direction.

Senator NORRIS. If they can not be influenced, and we have the power to require it, we ought to exercise it. We take a ship, and we ought—I am commending it—we do all those things; and the American producer and the American consumer are under the absolute control of the Government through the Food Administration; they have to come to time. And while I believe they ought to and am not complaining about that, yet I would not treat them any worse than I would our allies across the water. If they would not come in and share the expense they would not get the food. That would be all there would be to it, and they would soon come to time.

Mr. DURAND. As far as the compulsion is concerned upon the allies in reference to the beef business, the measure of our ability to compel depends altogether on transportation, because there is plenty of beef in the Argentine; plenty of it.

Senator NORRIS. The Food Administration could do with them just like they do with me when I want to get a 12-pound sack of flour. They make me buy 12 pounds of oatmeal that will go to waste or be fed to my neighbor's chickens when spring comes. You could, applying the same rule to the British Government, say, "Unless you will do this you can not have this other thing you have got to have." It would not be any worse to force them into what is good for them than it would be to force them into what is good for us.

Mr. DURAND. You are getting into a policy over which I should have no control; that belongs to higher powers.

Senator NORRIS. That is what everybody says. And yet you are a part of it.

Mr. DURAND. I can express my views to other people and try to influence them, but I have no control over a policy as broad as you have just outlined.

Senator NORRIS. But, if I might be excused, I want to read a sentence or two from that letter of Mr. Wilhelm in regard to that meeting on the 17th day of January that you had with the packers. He says: "Dr. Durand said that this thing would have to be handled in some way to avoid advancing of the cattle market." Did you say that or anything that meant that?

Mr. DURAND. Not those exact words. But I think I made it clear that I said that the order could not be placed except at the existing

prices, and that therefore the thing would have to be handled without advancing the cattle market or not handled at all.

Senator NORRIS. "That was the thing that must not come about"—that is, I take it, the advancing of prices—"and if it did he would take drastic measures to prevent it."

Mr. DURAND. That last statement is absolutely incorrect.

Senator NORRIS. You did not say that?

Mr. DURAND. No; I discussed with them, as I said, theoretically, possible ways in which the prices could be held down if we wanted to do it, but I did not threaten we would do it, and, as a matter of fact, we have never seriously contemplated doing those things.

Senator NORRIS. "For instance, he indicated that if it required 10 per cent or even a higher percentage of your purchases to take care of this export business, you were going to be as correspondingly short in your branches."

Mr. DURAND. No; that is not the way to describe the conversation. The packers said if we took a certain quantity it would take that much out of their branches, and I said, "If we have to have it, of course, the domestic consumption will have to be cut down in some way."

Senator NORRIS. He says, further: "This would have a tendency to raise the beef for market," which we all admitted, "and that, then, the live-stock market." That is a conclusion I want to ask your opinion about.

Mr. DURAND. That is true.

Senator NORRIS. Here is the thing they agree to—meaning the packers: "We all agreed that we would see that we didn't pay any more for live stock." Did they agree to that?

Mr. DURAND. That is not at all a correct statement. They did agree that they would not accept this order unless they thought they could get the live stock at prices that would give them a profit; and, as that seemed to involve higher prices than the British were willing to pay, we did not place the order. That is entirely a misrepresentation of the situation, because I did not ask them to hold down the price, nor did they agree to hold down the price. It was simply a question as to whether this order could be placed under those conditions. It was an order, you understand, Senator—I can not help emphasizing that—which we had asked the British to place beyond their then requirements, for the purpose of enabling us to prevent a fall in the market, and the British said, "Yes, we will oblige you and help you to prevent a fall, only we must not have to pay for the privilege of helping you by paying more for the meat than we would have normally got it at."

Senator NORRIS. Right on that point I might suggest, and, of course, it is only my suggestion, it seems to me that when they did that you ought to have said to these British: "The fellows who are supplying this beef are losing money, and we can not place it at that price, but we insist on placing it at a price that will give them a reasonable profit." It seems to me—and that is the place where men disagree, and my opinion is not worth more than anybody else, may be not as much, that if you had done that, and then on the investigation by the Federal Trade Commission this letter had been discovered

and given to the public, as it was, and Mr. Wilhelm had given that kind of a report of the attitude of the Food Administration, it would have at once given confidence among all the feeders, of the efforts being made by the Food Administration to see that they were properly treated, and they would not have felt as a good many of them do.

The CHAIRMAN. Doctor, in inducing the British Government to place this order, were you apprehensive of a decline in the market?

Mr. DURAND. Yes.

The CHAIRMAN. Instead of persuading the British to take what they did not want, why did you not suspend the meatless days, and meatless meals, and bring it about that way?

Mr. DURAND. That, again, was not my field to act upon. But, aside from that, Senator, a purely temporary rush of cattle to the market may depress the prices and cause a loss to the farmer, and yet there may be an actual shortage from the standpoint of general supply, and we were afraid of a temporary rush, and thought it could be relieved somewhat.

The CHAIRMAN. What made you apprehend that rush?

Mr. DURAND. Oh, the thought that the transportation had been so bad, and held back the animals and that it might become better at any time; and also that there was soft corn being fed and nobody knew just how much of it there was. As soon as that was fed out, we suspected that the farmer would not be inclined to buy hard corn at the higher prices prevailing, but would rush in half-fed cattle.

And I want to add that if the transportation conditions had not continued bad we should have had, I think, a great big rush of cattle and of hogs about January and February, and especially in February, and that it would have been quite impossible, or exceedingly difficult, to hold the price where it was. But the transportation all along has held back animals and helped the price situation somewhat.

Senator NORRIS. Doctor, I want to read another extract from that letter of Mr. Wilhelm's:

The doctor then said that they were going to buy big quantities of beef every month and he was rather skeptical about our being able to take care of the orders. He didn't state just what quantity was ordered, but thought that it would be a minimum of 6,000,000 a week.

Mr. DURAND. Twenty-five million a month, or perhaps 30,000,000, counting other packers, is not a great quantity as compared to what we had been taking before. That word "big" is all that I would qualify a little—a considerable quantity.

Senator NORRIS. What was your object in saying that to these packers if there is nothing in the proposition that you did not want to prevent the market from going up?

Mr. DURAND. The packers have to know, in a general way, somewhat in advance, whether the foreign buyers are going to be in the market for this class of stuff, because they do not freeze any cattle—that is, in whole quarters—for domestic purposes ordinarily. Of course, once in a while they do. They must be informed somewhat as to the future prospects in regard to orders, so that they can prepare the animals for shipment. We have to keep them informed in a general way about those things.

The CHAIRMAN. Your idea, Doctor, that meat in the Argentine is enough lower than meat in the United States to justify the British Government in shipping it on twice as long a haul?

Mr. DURAND. That is the question of British governmental policy. Senator. I should not feel like expressing an opinion upon that. I know it is very, very much lower.

Mr. COTTON. The prices there are 2 or 3 or 4 cents lower.

The CHAIRMAN. It is just a matter of shipping, I suppose?

Mr. COTTON. Yes.

The CHAIRMAN. Are there any other questions? If not, that is all, Doctor. We are very much obliged to you. The committee will now adjourn to meet to-morrow morning at 10.30, when we will hear Mr. Lasiter and one or two other witnesses.

(Thereupon, at 1.15 o'clock p. m., the committee adjourned to meet at 10.30 o'clock a. m., Friday, March 22, 1918.)

INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

FRIDAY, MARCH 22, 1918.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, at 10.30 o'clock a. m., Senator Thomas P. Gore presiding.

Present: Senators Gore (chairman), Smith of Georgia, Sheppard, Ransdell, Thompson, Page, Gronna, and Wadsworth.

The CHAIRMAN. We will hear first this morning Miss Wileman, a woman of England, who is very much interested in the question of farm labor. She is familiar with the subject both in England and in Canada, as I understand, and I told her the committee would be very glad to hear her this morning.

STATEMENT OF MISS ST. JOHN WILEMAN, OTTAWA, CANADA.

The CHAIRMAN. Will you kindly state your name?

Miss WILEMAN. Miss Wileman.

The CHAIRMAN. And your address?

Miss WILEMAN. In Washington, where I have been for the past two months; I am stopping at the New Willard. I have spent the last seven years in Canada and in the United States in connection with labor problems, dealing with agricultural and industrial relations of every kind.

Senator PAGE. Have you any official position that we could note here to identify you?

Miss WILEMAN. I have for the last seven years been carrying on an educational campaign to secure for the Dominion of Canada a public national labor bureau system similar to your employment service which has just been founded in the States.

Senator PAGE. Have you an official connection of any kind?

Miss WILEMAN. I have now secured the establishment of that system which the Canadian Government is now creating all over the country.

Senator PAGE. I did not know but what you were president or secretary or held some other executive office in some organization?

Miss WILEMAN. I inaugurated the whole system by starting the first public labor bureau in Canada seven years ago, carrying it on personally, supplying the man power and woman power in three Provinces. As a demonstration of the utility of the labor-bureau system I then inaugurated a coast-to-coast campaign, which I have

kept up ever since, on my own responsibility, with the support of Lord Shaughnessy, of the C. P. R., and subsequently, after the outbreak of the war, with the Imperial munitions board, Canadian municipalities, individual trades bodies, labor, returned soldiers, and farmers' organizations, as well as women's organizations.

Senator PAGE. Are you in any way connected with any labor organization?

Miss WILEMAN. With none. I acted in an entirely unpaid capacity, and bore a very large proportion of the expense out of my own pocket.

The CHAIRMAN. Now, Miss Wileman, I wish you would proceed in your own way and discuss the labor situation.

Miss WILEMAN. Mr. Chairman and gentlemen, I am very much indebted to your courtesy for this opportunity to present to you, very briefly, a very live issue at the present crisis in the question of food production. During my seven years' work in Canada I have personally dealt not only with the agricultural labor conditions in the western Provinces, in farming, fruit growing, and so on, but I also investigated and had a great deal of personal contact with those in the maritime Provinces. I may, therefore, speak from general experience.

When I first inaugurated the campaign for dealing with these questions I operated the first public labor bureau in western Canada, sending out thousands of men of every description, skilled and unskilled, to the farmers of the three western Provinces and British Columbia, supplying a very large amount of farm labor. Since the outbreak of the war I have been in close touch with the extreme difficulties Canada has had to confront in regard to supplementing the scarcity of man power on the farms. During the past two years I have done a good deal of work in inducing the various Provinces to throw out into the districts requiring emergency labor large numbers of women for every purpose—fruit growing on the big farms, running machinery of various kinds, helping with the rush harvesting, and so on.

Apart from that, I have in the western Provinces directly observed the ease and efficiency with which the women, whose men-folk dropped everything to rush to the colors and fight in France when the war broke out, have carried on their kinsmen's farms, frequently without the least assistance, without any man power, owing to the scarcity of male labor in that district. They are not falling down, gentlemen, they are carrying on those farms, and when the men come back from the war they will find them just as efficient and just as productive as they were before they left.

I have for a long time past been in touch with a great many States of the United States, visiting them and investigating their conditions. After my work in Canada was ended I spent a great deal of time over here in connection with labor problems of various kinds. Last September I got into touch with Dr. Spillman, the head of the Farm Management Bureau of your Department of Agriculture, and suggested to him that the time was coming when the second line of trenches—food production—would be the bulwark in winning the war, and that in order to release those men for certain other absolutely essential skilled occupations in agriculture, the infusion of a certain amount of well-directed woman power would be of the great-

est value. I found Dr. Spillman one of your most enlightened, progressive, and practical men. He realized that the need was coming, and suggested that steps might be taken to get the whole matter planned on a thoroughly sane and cautious basis.

Since last September I have been in touch with Government authorities, farmers' organizations, women's organizations, and societies of various kinds in regard to this question, and as matters stand today, I have found an enormous practical sentiment that the time is ripe for tapping your immense reserve power of woman labor in this country in the same way that it has been used in France, in Great Britain, and in Canada.

You probably know, gentlemen, that last year 238,500 women were employed by the British Government in every capacity in agricultural work on the farms—trained, disciplined, supervised, settled in the proper places, and generally superintended. The opposition of the farmers which was manifested at the outset of the movement has vanished as the mist before the sunrise. The farmers now vie with each other in compliment and valuation of the sheer practical work that the women are doing. They estimate that three women will do the work of two men, and in many cases they are more conscientious and stick to their jobs, whether rough or smooth.

Senator PAGE. You say three women do the work of two men?

Miss WILEMAN. Three women do efficiently the work of two men.

Senator PAGE. And you say they do it with quite as much skill?

Miss WILEMAN. Yes; that is the official testimony.

Senator PAGE. How do you account for that in view of the fact that they lack the necessary education, the experience?

Miss WILEMAN. The British Government took the matter seriously from the outset, and arranged for very careful and systematic training of the whole body of women workers under skilled agricultural instructors. When they had passed through their training they gave demonstrations at various centers before large groups of farmers, who approved the method in which they did the work and the ease and facility with which they handled the implements and machinery.

The CHAIRMAN. That was largely limited to the lighter work, was it not?

Miss WILEMAN. No, Mr. Chairman, it was not. I have some photographs here which I would like to pass around, which have been officially O. K'd. by the British Government.

Last year workers were running those big farm tractors by electric light during the night, in order to take advantage of both day and night for food production. At the end of last year the British Government made arrangements to train a large number of women to run exactly the same tractors this year by night on similar lines, and they will do it.

The number of women that will be employed by the British Government this year on the farms for agricultural work is estimated at almost 400,000. You probably know that in France the women are shouldering the chief burden of responsibility.

Senator PAGE. And are they able to perform as many hours of labor as the men?

Miss WILEMAN. Absolutely. I might tell you, too, that the medical authorities connected with the British Government, who are super-

intending the general physique and welfare of the workers, stated that the stamina of the women had not been impaired; they have shown no traces of strain, and at the end of last year they were fat, ruddy, and in absolutely good physique, with just occasionally one or two who had dropped out. The great majority showed absolutely no trace of any physical strain or impairment at all.

I might mention to you that in Canada last year, in the emergency crisis, between 6,000 and 7,000 women turned out of their homes and rushed to the rescue of the situation. They had no training; they just went, rather than let the food rot in the ground. They have not shown any trace, either, of physical impairment or strain.

To return to the United States, may I point out to you that last year in New York State Vassar College conducted a very valuable experiment by training a big unit on the Vassar farm, which did excellent work during the whole of the summer. The mayor's council of defense organized another unit, and the woman's committee also did the same thing. When I was in New York I discussed with the farmers who had employed those girls the question of whether the result was satisfactory. It was so satisfactory, gentlemen, that this year they are coming back to New York for hundreds more.

The CHAIRMAN. Who is coming back for them?

Miss WILEMAN. The farmers of New York State. The girls themselves are now coming as recruits to form still larger units to go out again to this work.

The CHAIRMAN. Who is at the head of that movement in New York, Miss Wileman? Do you know?

Miss WILEMAN. There is no particular movement, Mr. Chairman: it is just two or three small sections which took up this question last year. Dr. MacCracken, of that college, was the head of the Vassar College experiment; one member of the mayor's council of defense in New York was the head of another section; and there was still another section.

Senator PAGE. I am prompted to ask why, if the movement is assuming such importance, there is not a larger and stronger organization to take it up in a public way?

Miss WILEMAN. Mr. Chairman, may I venture to suggest to the committee that this particular line of procedure might be most profitably adopted: Before the British Government took hold of this question as a national issue, and a very live one, there were hundreds of individual associations, all overlapping each other, all working in rather small, pettifogging ways and doing a great deal of desultory work in regard to women on the farm. When the Government took it over every single organization dissolved, with the exception of one small one, which the Government said might be useful in one or two districts for emergency work. The Government now standardizes the essential factors in the situation and controls it in a practical way. In that way the opposition and doubt of the farmers has been largely broken down, because they feel that with the Government back of it, restraining any ill-judged effort, providing for the training of the women and placing them, the problem is being handled safely and sanely.

Senator PAGE. Do they deal with that as we deal with it in our civil service here? Do they have examinations of health, intelligence, and efficiency?

MISS WILEMAN. They have selection committees, which ask the candidates to provide a medical certificate as to physical condition and make inquiries as to the general desirability of every candidate who offers for work.

THE CHAIRMAN. I wish you would outline, Miss Wileman, the details of their organization from the very beginning.

MISS WILEMAN. Yes. May I mention to you also, Mr. Chairman, in order to bring to your attention the attitude of the farmers here toward this matter, that by the courtesy of the farmers' deputation which waited on President Wilson over four weeks ago, I was invited to address them on this subject. At the close of the meeting nine-tenths of the men present came up spontaneously and stated that when this matter was directed and supervised by the Government on practical lines to meet the direct emergencies of the case and the shortage of other labor, the farmers would work with it heart and soul; that they would give their very best cooperation, and that it would help them out of a most difficult situation.

Since then I have also met a gathering of farmers from Maryland and Virginia; they made the same statement, Mr. Chairman. They did feel, Mr. Chairman, that this matter should have a certain amount of Government supervision and guidance to avert any mistakes or blunders that otherwise might occur.

In regard to the British end of the question, the whole program is under the superintendence of Miss Talbot, who is the chief administrator.

THE CHAIRMAN. She is the chief administrator of what?

MISS WILEMAN. Of this women's work on the land.

THE CHAIRMAN. Where?

MISS WILEMAN. In Great Britain—London. You will find her at Mr. Protheroe's office. The Government has outlined a scheme of selection committees in different parts of the country, which undertake the whole work of testing the suitability of every candidate who desires to enroll. The candidates, after enrollment, are then sent to specific training centers, in order first of all that those who intend to take up whole-time work shall be physically hardened to continuous out-of-door exercise as well as become familiar with the rudimentary technique of their work.

After a training of from four to six weeks the women are obliged to give a demonstration of their ability. When that has been ended, the Government, through Miss Talbot and her officers, takes steps to place them immediately in a position. If that position is not immediately available for a day or so, the girl or woman still receives her pay, because she is in receipt of payment the whole time from the Government. The Government has established a minimum wage of a pound a week for the beginner.

The conditions of labor are carefully superintended. Where it is possible for girls to live on the farm, a large body of supervisors who visit the various country districts make sure that the conditions are clean and hygienic and that the food will be properly supplied. After the girl goes to the farm she is visited from time to time by the supervisor to see that her work is being carried on properly and that she is succeeding in her task.

Senator SMITH of Georgia. Do you think anything of that kind will be necessary in as large a country as ours?

Miss WILEMAN. No; I do not, Senator Smith.

Senator SMITH of Georgia. Really the problem with us is to arouse local interests, is it not, and to induce local preparation and willingness to try it out?

Miss WILEMAN. Yes, sir; it is. But I would suggest to you that you get up standards here at Washington and send out through the country the main essentials which you would desire every worker and every committee to adhere to.

Senator SMITH of Georgia. To standardize it here and furnish the information to the localities and invite them to take it up?

Miss WILEMAN. That is it; decentralize it. But I would strongly suggest that you incorporate in your system the selection committee and supervisors. They, I think, you will find are absolutely indispensable in dealing with your problem.

As far as the condition in Great Britain goes, as I said before, the result is absolutely and unanimously satisfactory to all sides. As Senator Smith has said, your conditions here are so very dissimilar in regard to the area to be covered, the decentralization of Government and authority, that I think the best plan would be to get everything standardized in Washington and then secure the cooperation of the States, and, within the subdivided areas, of the persons who are ready and willing to take a hand in this big game of beating the Germans through food production.

I do not think there is anything further I can say, except that up to the present moment several branches of the Department of Agriculture, some of the leading officials at the Department of Labor, several of the Federal Food Administration authorities, and of the educational department of the National Council of Defense have already signified that if this general plan of systematizing and standardizing can be arrived at their cooperation is absolutely assured.

Senator GRONNA. Miss Wileman, what success have you had in Canada in standardizing this work?

Miss WILEMAN. It was found after last year's experiment, when the women turned out in a rather indiscriminate way, that it was absolutely necessary to prepare for standardizing the work for this year, and that has been done through the agricultural colleges right across the country from British Columbia to Nova Scotia.

Senator GRONNA. Of course the women on the farm in both countries, both in western Canada, with which I am somewhat familiar, and in our own western country, do considerable work on the farm.

Miss WILEMAN. Oh, yes, sir.

Senator GRONNA. And they know how to perform the work. Is it your idea, then, that this organization would be used to get girls from the cities to go out to the farms?

Miss WILEMAN. From the smaller country towns, from women's colleges where the girls have already gone through the gymnastic and athletic courses, and for certain part-time occupations, very satisfactory workers could be secured from the women who are employed in the seasonal trades of the trade-union and labor organizations.

Senator GRONNA. Do you know what success the women in Canada have met with in handling intricate machinery such as tractors? I

am speaking of western Canada, where the climatic conditions are not very favorable.

MISS WILEMAN. I do. Out in Alberta and British Columbia I have lived in the most remote parts of the country—20, 30, and 40 miles away from a train—and I have seen women there handling this machinery right along and responsible for it. On one big farm on Vancouver Island, where the head of the house volunteered and went across to the war—he is an M. P. P. in the British Columbia Legislature—his wife and daughter are handling single handed the care of the sheep, looking after the cows, the poultry, the grain, and fruit. I have seen them do it, and they are handling their own machinery. In both Alberta and British Columbia I have practically visualized the process.

Senator GRONNA. There has been a great demand from western Canada for labor from the United States. In fact, the demand was so strong we had to make a protest.

MISS WILEMAN. I know that; yes. But, you see, Senator Gronna, there has been such a terrible drain through the war in the shape of casualties returned who are no longer of any use on the land. May I tell you that from the Edmonton district alone at the outbreak of the war 23,000 men went across to the front, and a very large proportion of those men are dead, and a very large proportion of them disabled, so that it is impossible for them to return to the land. In British Columbia the percentage was even greater. When I was traveling by motor through some of the outlying portions of the mainland and Vancouver Island we passed through village after village where we saw only small boys and elderly men.

May I mention, gentlemen, that I understand that a bill will be before you this week, or is now before you, dealing with the question of appropriations not only for seed but for labor? I appeal to you, in dealing with the financial side of the question, to think of this practical matter of the aid that women can give. We should feel—and I am sure I speak for women all over the country—greatly indebted to your chairman and any other member of the committee who on the floor of the Senate may direct attention to the fact that women's work has been used a great deal in the United States and has given a great deal of satisfaction, and to increase the supply of labor and to increase its efficiency it will be one very helpful way of meeting the labor issue. And may I appeal to you gentlemen, as men of business, to also make the suggestion that in appropriating the \$2,000,000, which I believe is the amount to be used for mobilization of labor, the women's side of the question shall not be forgotten or ignored.

The CHAIRMAN. We are very much obliged to you, Miss Wileman. We will now hear Mr. Smith.

STATEMENT OF MR. DATUS C. SMITH, FARMER, KINDERHOOK, N. Y.

The CHAIRMAN. Will you please state your full name, Mr. Smith?

Mr. SMITH. Datus C. Smith. I live at Kinderhook, N. Y., in the Hudson Valley.

The CHAIRMAN. Are you interested in agriculture, Mr. Smith?

Mr. SMITH. I am; that is my only business.

The CHAIRMAN. You indicated a desire to be heard on the by-products of flour—shorts and bran. We should be very glad to hear you discuss that.

Mr. SMITH. My business is farming only, and I have been for 30 years farming in North Dakota, in the Red River Valley, at Blanchard; now spending only my summers there. I am associated with our local and county and State organizations in the State of New York, and in that way have some acquaintance through the State, and I have a still wider acquaintance in North Dakota in the same way. This has given me at least the opportunity of knowing farm conditions and the sentiments of farmers.

Senator GRONNA. Won't you state, Mr. Smith, the size of your farm and the proportion of it under cultivation, and how many horses you employ?

Mr. SMITH. There are 2,280 acres in the farm, all under the plow save 110 acres allotted to buildings, yards, roads, and rough land. All our meadows and pastures are brought into the crop rotation. We have 40 work horses now. Generally we have had about 60 work horses, but have lately replaced a part with tractors.

Before I proceed to the matter of the by-products of flour there are one or two things I have heard discussed here during the last two days that I wish to spend a minute upon. One is the question of the use of lamb. Lamb is the cheapest form of mutton that can be produced, though it sells for a higher price, the same as good lettuce will sell for a higher price than older lettuce. There are some millions of lambs marketed in this country directly from grass; they are born on the grass, they are marketed from the grass, and they never eat any grain, and for that reason—in addition to the point Senator Warren spoke of yesterday—they are a cheap form of mutton. Lambs are half the profit in sheep. To discourage the consumption of lamb is to discourage the production of both wool and lambs; that is, of the whole sheep industry.

I also want to mention potatoes; I do not know whether anything has been said here about potatoes or not. I am not raising potatoes for sale, except occasionally in a small way at each farm; but I want to say that potatoes are, I suppose, the cheapest form of food we can produce in large quantities, and that their production should be encouraged in every way. Potatoes are now, I believe, one-third the price of seed last year; and if there is one thing that needs the support of the Government as to price, I think it is potatoes, in order that a very large area of potatoes shall be raised other than by those who raise them regularly for market. I think a cost minimum price should be placed under potatoes.

Mention has been made here of the feeders' losses; a good deal has been said about it. My principal business is wheat raising in North Dakota, but for 20 years I have incidentally had both cattle and sheep. The feeder is a very near cousin to the producer. There is but very little difference between the producer and the consumer. It is just the cost of getting the supply from the market. We heard here yesterday that it cost for feeder cattle \$2.50 a head for the buying expense and \$3.50 for the marketing expense. The freight was not mentioned, I believe, but that would be, both ways, \$5, \$6, or \$7 possibly, so it amounts to, say, \$10 to \$13 per head. Now, there is

only \$13 difference between that stock in the hands of the feeder and in the hands of the producer, so the producer himself is closely related to this rise and fall in the market.

Mention has been made of the time of seeding spring wheat as being March and April. It is accurate, I think, to state that nearly all spring wheat is raised in North Dakota, South Dakota, and Minnesota, and April and May would cover that. I am referring now to the proposal to increase the price to encourage that seeding.

The CHAIRMAN. I am glad to hear you say that, Mr. Smith, although the water has passed the mill, so far as the Senate is concerned.

Mr. SMITH. I should say that two-thirds of all the spring wheat is normally raised in the three States of North Dakota, South Dakota, and Minnesota, and that means 200,000,000 bushels of wheat to be planted during April and May, if we are to get a normal production.

There is another thing: I am aware of the action taken in the Senate yesterday, but I may mention this. The cost of wheat in 1918 is going to be from 20 to 30 per cent higher than it was last year, because every element that goes into the production of wheat is going to be at least 20 per cent higher—labor, binding twine, machinery, everything. I do not need to elaborate that, because it is well understood. If \$2.20 was the right price for wheat last year, \$2.20 is not the correct price this year.

Senator GRONNA. In that connection, Mr. Chairman, I have here a telegram from the chairman of a convention held at Minneapolis the day before yesterday, which I should like to put in the record. It reads as follows:

MINNEAPOLIS, MINN., March 31, 1918.

HON. ASLE J. GRONNA,

Washington, D. C.:

Whereas the price of No. 1 northern wheat was fixed by the President of the United States at \$2.17 per bushel for the 1917 crop and correspondingly lower price fixed for other grades; and whereas, if it be assumed that the 1917 prices were reasonable and adequate under the conditions existing as to the 1917 wheat crop, it is manifest that a consideration of various factors that will enter into the cost of producing the 1918 wheat crop will make it necessary for a higher price to be fixed for said 1918 crop in order that the producers may be equitably and justly dealt with, such factors, among others, being increase in cost of twine approximately 75 per cent; increase in cost of farm machinery; undoubted increase in cost of farm labor, owing to scarcity because of the fact that thousands of the young men heretofore engaged in farm labor in wheat-producing States have been drafted into or have volunteered for military service of the United States: Now, therefore, be it resolved, that the official representatives of the States of Minnesota, South Dakota, North Dakota, and Montana, in conference assembled pursuant to call at the city of Minneapolis, Minn., this 20th day of March, 1918, do hereby respectfully request that the President of the United States reconsider the prices fixed for the 1918 wheat crop and either raise the price by proclamation or urge the passage of the Gore amendment to the agricultural appropriation bill.

H. N. OWEN, Chairman.

The CHAIRMAN. In connection with that I will say there was a convention of 500 wheat growers held in Kansas City, representing 15 States. They adopted resolutions very strongly in favor of the amendment that was debated yesterday. Of course, that is belated now, but it reflects their attitude on the subject. The telegram also states that where the promised yield is not 8 bushels to the acre or more a great deal of it will be turned under; in fact, in my State

half of it will be turned under if they can get the labor to turn it under and sow the land to more profitable crops.

Mr. GRONNA. I think it is encouraging to know, Mr. Chairman, that our action was not unwarranted.

Mr. SMITH. I want to mention the matter of withholding chickens from the market. Hens and pullets are to be withheld by the order of the Food Administration, are being withheld from market, either alive or fresh killed, from the 15th of March, I think it was, to the 1st of May. Now, if there is a chicken man on the Food Administration, I am sure he has had to do with dressed chickens, not live ones. This order the field for heavy supplies of poultry held in cold storage by the packing houses and I am credibly informed the prices for that cold-storage poultry rose 6 cents per pound in response to the order. It is not very important, perhaps, in the country as a whole, but it is mighty important to the small man, the farmer, or the farmer's wife who has a few hens that are too old or too poor to lay eggs. If the man who considered that matter understood it, he would know that no one is going to market chickens that promise to lay eggs during April and May. The regular poultry men have found out about their chickens before this, and their poor pullets and hens have been taken out, but the small farmer who has chickens often has not done that.

The CHAIRMAN. Of course, it is uneconomical to keep those that are not going to lay.

Mr. SMITH. I am not a lawyer, but I have read the act of August 10, 1917, very carefully, and I can not find any authority by which the Food Administration was entitled to interfere with the delivery of food by the farmers. In fact, it seems very clearly the intent of the act that the farmer should be let alone.

The CHAIRMAN. There is no such authority with respect to hens and a great many other things that have been done.

Mr. SMITH. I have a note here regarding farmers getting rich, but I do not think I need to say anything about that. It is well recognized that the farmers are not getting rich. To-day's prices are not the farmers' prices; they are the prices of the dealers, the prices of the people that buy up the different things wherever they can.

Senator GRONNA. Mr. Smith, will you pardon an interruption there? Your farm in North Dakota is in the Red River Valley?

Mr. SMITH. It is.

Senator GRONNA. That is the most favored section of the State, of course?

Mr. SMITH. It is commonly considered so.

Senator GRONNA. Have you kept books so that you know about the percentage you make on your investment?

Mr. SMITH. I have not kept them as to percentage, because that has varied so; but I have kept farm books and have the accounts divided accurately. The whole thing has been kept in book form for 30 years.

Senator GRONNA. Do you rent your land up there?

Mr. SMITH. No, sir; I farm it myself.

Senator GRONNA. Have your profits from your farm there been large?

Mr. SMITH. No; not since 1900.

The CHAIRMAN. Have they been as much, say, as 9 per cent and 15 per cent?

Mr. SMITH. No; I would be glad to have half of that without any charge for personal services.

In North Dakota last year we had a good year, but we did not make a dollar of it on wheat. We had 12 bushels to the acre, and the average in North Dakota was much less than that. Many people had only 5. The whole profit that was made on my farm in North Dakota last year was on sheep, wool, and clover seed. We can tell accurately, because we keep separate accounts.

Various witnesses before you have said they did not want to criticize. I do. I am come here for that purpose—to give what I believe to be helpful criticism. I feel it to be my duty in spite of the fact, even because of it, that I have been a devoted adherent of President Wilson from the first, and trust I shall be to the last.

We all recognize the valuable services of Mr. Hoover in enlisting the people in the conservation of food. But I think I am entirely within the facts in saying that Mr. Hoover has lost the confidence of the farmers of America. This is because of his failure to fairly administer the law placed in his hands—the act of August 10, 1917.

Instead of encouraging crop production, many of the things done by the Food Administration have tended to discourage it. That act embraces in one paragraph the things subject to control, namely, "foods, feeds, fuel, including fuel oil and natural gas, and fertilizer and fertilizer ingredients, tools, utensils, implements, machinery, and the equipment required for the actual production of foods, feeds, and fuel, hereafter in this act called necessities," etc. It was the clear intention of the law that if the farmers' crops were to be controlled in price so should the instruments for their production. Yet what has been done? Mr. Hoover, I understand, admits that he has controlled only the price of two things, sugar and wheat, with its products.

If this law, just as it stands, had been fully and fairly administered, the farmers would not to-day be coming to Congress to ask for a \$2.50 minimum on wheat. But the failure to control the prices of everything but wheat and sugar is not the worst of it. The Food Administration has taken the farmers' wheat at fixed prices and then allowed the by-products of the wheat to be delivered back to the farmer at unrestrained, extortionate prices, as I shall show.

This excess profit of \$10 a ton on bran has reached in its practical effects into every farming community in this country and carried with it a sense of its grinding injustice. It has put up the cost of dairy feed, increasing the cost of milk and other dairy products, resulting in curtailed consumption, with the reaction on the dairy, until now dairying is in a depressed condition, as we all know. It has discouraged poultry raising, while the biggest penalty of all has fallen on general farmers throughout the country who feed bran to horses and middlings to young pigs.

I wanted to speak particularly regarding the by-products of wheat. Has that been discussed here at any length?

The CHAIRMAN. It was entered into; yes, sir.

Mr. SMITH. When it was first arranged to fix the price, or when the price had been fixed, the Food Administration, as I understand

it, arranged with the millers of this country, all of those who would willingly come in—and I think all of them save the little country miller did come in, because they had to get wheat—for them to take 25 cents a barrel profit on the flour and 50 cents a ton on bran. That arrangement went on and was doubtless in good working shape by the 23d of October, when bran was selling at retail in Albany at \$38 a ton. It may be assumed that that was a full price and a proper price. As soon as the corn was found to be soft there came a great demand for bran and middlings, and the price began to go up. On the 5th of December it was \$46, and shortly afterwards it was \$48, and it is \$48 to-day. You can hardly get any of it, but it is \$48 a ton, showing an enormous excess profit with no increased cost in the wheat from which it is made.

The CHAIRMAN. They pay exactly the same for wheat?

Mr. SMITH. They pay exactly the same for the wheat, showing an excess profit of from \$10 to \$12 a ton.

The CHAIRMAN. Between what dates?

Mr. SMITH. If I had known that I was to appear here I could have brought the data with me, but I remember that it was October 23 when bran was \$38 a ton in Albany. On December 5 it was \$46 a ton—I bought from a large dealer there—and shortly afterwards it was \$48, and is \$48 now.

The CHAIRMAN. The price has not been stabilized?

Mr. SMITH. It has been stabilized on the high levels.

The CHAIRMAN. And that all came out of wheat for which the farmer received exactly the same price?

Mr. SMITH. Yes, sir.

The CHAIRMAN. Can you give us the name of the firm?

Mr. SMITH. Crippen & Westfall Grain Co., Albany, N. Y. They supply a very large section of the country. I do not know whether there has been an uneven distribution of mill feed or not, but the mill feed has been so scarce in Albany that many people have had to go without it.

The CHAIRMAN. Are these wholesale or retail men?

Mr. SMITH. I should say they are both; they are licensed people. They handle carloads. They would normally have on their floor at one time probably 5 or 10 carloads of stuff.

The CHAIRMAN. Have you heard them say whether the price has been advanced to them?

Mr. SMITH. I presume it has gone up with Crippen & Westfall Grain Co. They told me that they are simply passing the price along as they get it. That is what Crippen & Westfall told me. I complained early in January to the Food Administration regarding the situation, and called their attention to the fact that it was not according to the agreement that had been made by the mills, and also that they were making this advance in price on wheat that had not varied in price. In the course of three weeks, perhaps, I got an answer from the Food Administration, sending me a copy of "Milling Division Circular No. 6," dated December 18, 1917, calling my attention to Rule 19, which says:

Rule 19. No licensee engaged in the business of milling flour and feed from wheat shall after December 25, 1917, sell wheat mill feed at any price in excess of the following prices:

Bran.—Bulk price per ton of 2,000 pounds at mill in carloads in no case shall exceed 38 per cent of the average cost to such mill of one ton of wheat

at the mill, which cost of wheat shall be the average cost as shown by the previous month's records of said mill and shall include the 1 per cent administration fee paid by the mill on all wheat ground.

Differentials (maximum prices, bulk, mill), basis bran.

| | |
|-----------------------------------|---|
| Shorts or standard middlings----- | \$2 per ton of 2,000 pounds over basis. |
| Mixed feeds----- | 4 per ton of 2,000 pounds over basis. |
| Flour middlings----- | 9 per ton of 2,000 pounds over basis. |
| Red dog----- | 15 per ton of 2,000 pounds over basis. |

The above percentages on prices are subject to revision from time to time by the United States Food Administrator, but no revision will be made without 30 days' notice.

The price f. o. b., bulk, mill, in carload lots shall be on the basis of cash or draft attached to bill of lading and all feed sold by the licensee shall be invoiced at such price. There shall also appear on the invoice, in addition to such price, f. o. b. mill, the price of the sacks and items of freight and interest, if any, when goods are sold on extended terms or credit, and other charges, but the licensee, for convenience in selling, may quote a delivered price in sacks.

I was told by the writer that I would no doubt soon get relief. Getting a higher price instead of relief. I then wrote to Hon. Victor Murdock, of the Federal Trade Commission. He acknowledged my letter and referred it to the Food Administration. Shortly afterwards I received a letter from the Enforcement Division telling me, I believe, that I would soon, no doubt, get relief.

Senator GRONNA. Will you pardon an interruption there before you get away from the cost of by-products? Have you made a computation as to what that would make the price of wheat per bushel?

Mr. SMITH. Dr. Ladd has put the figures at from \$25.85 to \$26.05, according to the quality of the wheat they used.

The CHAIRMAN. Per ton?

Mr. SMITH. Per bulk ton, delivered at the mill.

Senator GRONNA. That is what he says it should be. You misunderstood my question. Have you made a computation as to what the price of wheat would be, based on \$48 per ton for bran and shorts?

Mr. SMITH. No; I have not, Senator Gronna. I would not dare do that.

Senator GRONNA. I think you will find it will be pretty close to \$4 a bushel for the wheat; probably \$3.95.

Mr. SMITH. I might say I had a letter from my farmer in North Dakota yesterday, in which he called my attention to the fact that screenings were costing \$30 a ton, and wanting to know if I thought we had better buy some screenings for feeding the sheep. Now, wheat that we sold brought us about \$67 a ton, and the screenings are being sold back to us at \$30 a ton.

The CHAIRMAN. What would that make wheat worth without freight charges?

Mr. SMITH. Perhaps \$3 or \$3.50 per bushel. These screenings I now speak of are in Dakota. Years ago, when wheat was about 75 cents, we used to buy all the screenings we wanted at \$3 or \$5 a ton.

Senator GRONNA. From \$12 to \$14 a ton has been the price in the terminal markets.

Mr. SMITH. Yes; at St. Paul.

Senator GRONNA. You understand, of course, Mr. Smith—I know you have had the experience—that these screenings do not cost any-

thing to the miller or to the elevator men. The farmer gets nothing for his screenings.

Mr. SMITH. That is a very important fact to bring out.

Senator GRONNA. That is your experience, is it not?

Mr. SMITH. Yes; that is my experience. The farmer gives his screenings away and pays freight on them besides. He pays the freight to Minneapolis on his whole car load, and the screenings are taken out. I could not give you a good explanation of why he is not allowed anything for them.

The CHAIRMAN. And that is what he is paying \$30 a ton for now?

Mr. SMITH. That is what he is paying \$30 a ton for.

I want especially to call your attention to the last clause of this Rule 19, which I read:

"This rule shall not affect existing contracts."

There is the rub. That is the whole thing that has made the trouble, and unless something is done we are not going to get any reduction in price until the war is over, I judge. A broker or commission man can say, "Ship me all your by-products; I will take all you get." Very well. There is your contract, good for the war, apparently, though section 6 of the law calls it hoarding, with heavy penalty, to contract or arrange for any necessities in excess of "reasonable requirements" for a reasonable time.

Now, the Food Administration has been aware of what was going on, because on December 18 they issued this rule regulating the price, which would make the price in Albany about \$36 or \$37, allowing the cost of freight and the intermediate charges.

The CHAIRMAN. Now, do you think the reason the price has soared up to \$48 is because of this clause about existing contracts?

Mr. SMITH. Yes; I think that is the only reason, or rather, the only reason for its staying up.

The CHAIRMAN. The farmers in my part of the country are complaining about this order in regard to carload lots, saying that they do not need it in carload lots, that they can not buy it in carload lots, and can not handle it in carload lots, and therefore the lid is off when they went to buy it. I understand there has been a limit put on that.

Mr. SMITH. Yes, Senator Gore, that has been properly arranged for.

The CHAIRMAN. It is said that in some cases the miller sold to some clerk in the office at the regulation price, the clerk being a broker, and the clerk sold without limit, as the regulation did not apply to him.

Senator RANSDELL. I would like to ask Mr. Smith what relief he would suggest.

Mr. SMITH. If you will allow me, Senator Ransdell, I want to take a moment more on this question of regulations. Here are some new regulations, dated February 13. The changes here made indicate that they knew exactly what was going on. The order made effective December 25 had not been effective.

This regulation of February 13 says that rule 19—the rule which I just read—has been amended by adding the last paragraph below. That paragraph is proper enough; it permits the miller to sell under suitable rules direct, in small quantities. But while they were revising this regulation and knew what was going on, they

retained that expression, "This rule shall not affect existing contracts."

The CHAIRMAN. The trouble about that is that they could not, of course, affect valid existing contracts.

Mr. SMITH. They have done it. In this same circular rule 17 has a provision affecting the quality of flour. The quality of flour was reduced by requiring 100 pounds of flour to be made from, I think, 264 pounds of grain, and they said right there that existing contracts "shall be canceled" if they can not be performed with flour then in stock.

The CHAIRMAN. In referring to existing contracts I was a little reminiscent; I was figuring on the old-time basis.

Senator RANDELL. You have described here what seems to be a very real evil. What would you suggest as a method of relieving that evil? I mean this particular matter of the by-products of wheat.

Mr. SMITH. I should strike out that provision about existing contracts; do it to-morrow.

The CHAIRMAN. You say there is a clause interfering with existing contracts?

Mr. SMITH. There is a clause in here regarding flour. When the quality of flour was reduced there was a provision made right here that the existing contracts should be canceled.

Senator RANDELL. You would make that a general provision, paying no attention to existing contracts? Is that the idea?

Mr. SMITH. Yes, sir. These are contracts to do wrong; to evade the law against hoarding; to defeat the agreements made by the millers to get the wheat delivered to them; to exploit the farmer. And it is surprising that all the mills of the country should, without exception apparently, have such contracts.

Senator RANDELL. Would there be any gross injustice in canceling these contracts?

Mr. SMITH. No, sir; not to anybody except the people making the excessive profits, because it would reduce the prices all along the line.

Senator RANDELL. And it would not be unfair to anybody?

Mr. SMITH. No, sir; unfair to no one so far as I can see.

The CHAIRMAN. I do not see how that would affect anybody's rights, Senator, because those who had purchased heretofore undoubtedly would have purchased at a lower price than this; and if we compel them to deliver on the lower basis they could deliver on the lower basis and nobody would have to buy at a higher price.

Senator RANDELL. I was just wondering why the food administration should insist on retaining these existing contracts unless there is some valid reason for it.

Mr. SMITH. I think the reason is because the whole wheat business and milling business of the food administration is in the hands of the wheat people and the milling people.

The CHAIRMAN. Did you keep up with the investigation lately conducted by the Federal Trade Commission into the millers' profits?

Mr. SMITH. No, sir; I did not.

Senator RANDELL. Who gets the benefit of that provision? The producer does not, does he?

Mr. SMITH. He does not. It must lie between the millers and the wholesalers or jobbers, and to a small extent the retailers. I do not

mean the little retailers, I mean the licensed retailers. Most dealers, I think, get mill stuff in car lots direct from the mills, but now through the intervention of a broker.

The CHAIRMAN. What do you suggest, Mr. Smith, as to the general situation?

Mr. SMITH. Something must be done. As to prices, I am very sure the farmers of the country would much prefer to see general and genuine price regulation throughout the whole line of necessities, manufactured articles as well as farm products, and would not ask any guaranty as to wheat. But I can assure you that it would inspire no confidence in the farmer to leave the price fixing to Mr. Hoover. Leave it to the Federal Trade Commission, I would suggest.

As to the minimum price of \$2.50 on wheat, I believe that very necessary to effect greater production this year, because of the unnatural and unjust position in which wheat has been placed and the difficulty of securing in the limited time general price regulation that could have any material effect on this year's wheat crop.

The promises found in the act creating the food administration have so failed the farmer that he will not believe in any new plans for price control until he sees them in force.

The CHAIRMAN. Mr. Smith, we promised to hear Mr. Jenkins today, and I think he wants to leave. I did not expect that your hearing would take so long a time or I would have heard him first. I believe I shall have to ask you now to give way to him.

Mr. SMITH. I am very willing to do so, Mr. Chairman. I thank you.

STATEMENT OF MR. P. W. JENKINS, CATTLE RAISER, CORA, WYO.

The CHAIRMAN. Please state your full name, Mr. Jenkins, and your address.

Mr. JENKINS. P. W. Jenkins, Cora, Wyo.

The CHAIRMAN. And your business?

Mr. JENKINS. My business is raising cattle on the ranch and range.

The CHAIRMAN. You are a producer and not a feeder. Is that the idea?

Mr. JENKINS. I am a producer of what are usually termed feeder cattle.

The CHAIRMAN. Do you finish them for the market or do you sell to those who do finish them?

Mr. JENKINS. I am not supposed, in the general sense of the term, to finish cattle for the market. But I find that quite a large number of the cattle that I produce when placed upon the market are bought by the packers and evidently put over the block.

The CHAIRMAN. In the business you begin with the beginning?

Mr. JENKINS. I begin with raising calves.

The CHAIRMAN. Now, go ahead and make any statement that you see fit.

Mr. JENKINS. I would say here that I also represent the forest reserve and grazing lands committee of the American National Live Stock Association, and as a member of that committee I am inter-

ested very much in the problems that are confronting the user of the national forests.

Although I represent the American National Live Stock Association, I am more particularly interested in the production of cattle in the public-range States. The 13 range States produce 15,563,000 head of the 43,546,000 beef cattle of the Nation.

The CHAIRMAN. Do you mean 43,000,000 beef cattle?

Mr. JENKINS. Yes sir; according to the census the 1st of January this year there are 43,546,000 beet cattle in the United States. I will say here that of 28,546,000 credited to other States a large number of them is raised in these range States and transferred to the Middle West and Eastern States for fattening purposes, so that our ratio in raising cattle is higher than is represented by these figures.

The CHAIRMAN. You would not have any estimate of the number that have been exported from your 13 States to these other States?

Mr. JENKINS. No; not those that are on hand, but I judge that a very large proportion. As I have traveled through the Middle and Eastern States I see a very small proportion of younger cattle, and evidently they are not attempting to raise a great many stack cattle on the high-priced lands of the Middle West and Eastern States.

Senator RANDELL. What is the total amount of cattle on hand January 1, 1917, as compared with these 43,000,000 that you say were on hand January 1 of this year?

Mr. JENKINS. I beg pardon?

Senator RANDELL. The total number of cattle in the country January 1, 1917, one year ago, you say, as compared with the 43,000,000 which you show on hand this year?

Mr. JENKINS. I do not believe I have those figures here. But I will say there has been a slight increase in the number of cattle. (The desired number is 41,689,000, an increase of 4.5 per cent.)

The CHAIRMAN. I think in the neighborhood of a million.

Mr. JENKINS. In the neighborhood of a million, but I would like to remark here, if it is in order, that I believe the number as reported by this census is not as many as really exist. I believe that, according to the figures I have obtained from my own State of Wyoming, there is a greater number of cattle in the country than is believed to exist by the Department of Agriculture. You understand the method of taking the census? It was taken in 1910. They have county reporters report their estimate of the ratio of increase January 1, 1911, multiplying the number given by the census of 1910 by that ratio gives the number of cattle in 1911, and so on it proceeds through the decade. Now, as you near the close of the decade any error in the beginning will be multiplied toward the close of the decade, and I really believe that there is a personal equation in the fixing of this ratio that has reduced the number of cattle theoretically.

The CHAIRMAN. Of course, it is an estimate after all.

Mr. JENKINS. That 43,546,000 does not include milk cattle. I have the total number of those, too, and will submit a complete statement for the record.

The greater portion of this number are unfinished cattle, although of recent years many of these are being slaughtered direct from the range.

502 INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

(The statement subsequently submitted by Mr. Jenkins is here printed in full, as follows:)

1918.

| Stock. | Total number. | Total values. |
|-------------|---------------|---------------|
| Sheep..... | 48,900,000 | \$577,867,000 |
| Cattle..... | 66,830,000 | 3,423,690,000 |
| Horses..... | 21,863,000 | 2,248,626,000 |
| Mules..... | 4,824,000 | 621,064,000 |
| Hogs..... | 71,374,000 | 1,392,898,000 |
| | 213,791,000 | 8,264,145,000 |

| Year. | Milk cows. | | Other cattle. | |
|-----------|------------------|------------|------------------|------------|
| | Increase. | Number. | Increase. | Number. |
| 1918..... | Per cent. 1.7 | 23,284,000 | Per cent. 4.5 | 43,546,000 |
| 1917..... | | 22,894,000 | | 41,689,000 |

| | 1918 | 1917 |
|-----------------------------------|--------------------|--------------------|
| Average price milk cattle..... | \$70.50 | \$50.63 |
| Total value of milk cows..... | \$1,643,639,000.00 | \$1,365,251,000.00 |
| Average price of meat cattle..... | \$40.88 | \$35.92 |
| Total value of meat cattle..... | \$1,780,052,000.00 | \$1,497,621,000.00 |
| Total value of cattle..... | \$3,423,690,000.00 | \$2,862,872,000.00 |
| Total number of cattle..... | 66,830,000 | 64,583,000 |

Increase during year, 2,247,000; rate, 3.5 per cent.

Mr. JENKINS. The relations of the producer and the feeder are so close that any economic change in the one affects the other. Kill the market for the grain-fed beef and the raiser immediately feels the loss of a buyer. Cut off the supply of the feeder cattle and the corn producers suffer a loss.

I wish to speak here more particularly of the production of cattle in connection with the national forest. There are 31,000 permittees of the Forest Reserve, grazing 2,120,000 head of cattle. Owing to the requirements of the Forest Service these men live far from railroad facilities. They have few and inferior schools and churches. The altitude is great and the climate rigorous. They enjoy few of the conveniences of higher civilization and endure hardships that would cause the ordinary Eastern farmer to hesitate before casting his lot in their midst. For these reasons the permittee has a right to expect even larger rewards for his labors than those allotted his brother in the East. At this time these men are evincing great discontent with their situation and for good reason.

The range outside the forest boundaries is held in common without suspension. Feuds arise, some refuse to provide well-bred bulls and a sufficient number; they will refuse to care for their cattle on the range, allowing them to overgraze certain areas while others are untouched. When outlawed from the national forest they use the other range to the detriment of the permittee in good standing.

Owing to the distance from the great market centers the cost of placing the cattle on the market and the uncertainty of the market when the cattle arrive, adds to the cost and aggravates the uncer-

tainty of the situation. Frequently after starting to the road a car shortage will require the stock to be held at a great cost in feed and shrinkage.

The rates of interest on money are high owing to the inferior improvements and uncertainty of the land titles. Cattle at the best affords a more or less unstable security for loans. The country being new the population is scattering and the needs for public improvements are great, and as a result taxes are extremely burdensome. Most of the cattlemen have to borrow money to carry on their business and are now heavily in debt with the uncertainty of war prices and the fortunes of the conflict they are hesitating in their decision as to what to do at the present time.

Out there living costs are far greater than in the thickly populated centers. Wages are high and laborers very scarce. Most of our able-bodied boys responded to the call and the ranks of labor are depleted. Machinery, tools, and materials here cost more than anywhere else. All these elements make the cost of production of cattle very high and to-day live stock is being produced at a loss.

I have here included a brief statement of the cost of the 2-year-old, which shows the situation as the rancher sees it.

Now, if you will permit me, I will present those figures: First is the cost of the cow producing the calf. You understand we must maintain a cow for a year to get a calf. Feed for one year, hay and feeding, \$9.50; fall and spring pasture grazing and range fee, \$16.45.

Now, I have put this purposely low, so as not to show any advantage. I will state here that last year I sold my surplus hay at \$20 a ton, and I have put it in here at \$9.50, which is the actual cost on an average year of producing hay in my country.

Interest and taxes on \$70 cow—that is, using the minimum rates of 8 per cent for interest and 2 per cent for taxes, which is 10 per cent, makes \$7.

Probable loss at 5 per cent, \$3.50. That is the loss of cattle on the range. You understand they wander over an area of possibly 100 miles each way and we lose a great many from poison, predatory animals, disease, wandering, thefts, and so on. Bull, \$2—we are required to furnish registered bulls on the range, and the price of registered bulls at the present time is very high, and as we get a five-year service (after three years we have exchange with a neighboring range); and it costs us \$2 to furnish a bull for a cow, and depreciation on the cow, \$3, making a total of \$31.95; that is, providing every cow produced a calf, but we are getting less than 75 per cent calves, therefore correcting these figures by reducing to a 75 per cent basis, we get \$42.50.

The CHAIRMAN. What is the cause of that loss, contagious abortion?

Mr. JENKINS. No; we are not affected in any way by any of the contagious diseases. We try to meet that. We vaccinate for black-leg. We watch for cases of contagious abortion and try to prevent that. But it is just the natural course, I think.

The CHAIRMAN. The law of averages has demonstrated that?

Mr. JENKINS. Yes; about 75 per cent would be a very good crop of calves. So that, as I say, on that basis the cost of a cow from which we get a calf would be \$42.50.

The cost of a yearling: Feed for 1 year, \$10.96; interest and taxes, \$4.26; probable loss, at 10 per cent, \$4.26—of this class of stock we lose a good many more than of the other class—making \$19.48.

Cost of second year: Feed for 1 year, \$16.45; interest and taxes, \$6.21; probable loss, at 5 per cent, \$3.10, making a total of \$25.96; making a grand total of the cost of a 2-year-old \$87.84; that is, it would be a high average, rather than low.

The average weight of 950 pounds at an average price of 9 cents would make the selling price of that steer last fall \$85.50. That would be a heifer or a steer, because we have to sell a certain portion of heifers. Deducting the cost of marketing, \$7.50, an average from the neighborhood of forest reserves, from the \$85.50, makes the net selling price at \$78, which shows a loss on a 2-year-old of \$9.84. Those figures are just as close as we can compute; that is, counting our irrigated lands as low as \$35 an acre.

The CHAIRMAN. You do not have in there any item for labor and other head charges at all, do you?

Mr. JENKINS. No; except up here in the item of feeding during the winter and in the actual cost of production of hay there is a small item for irrigation. But the general expenses of the ranch do not enter into these figures. They represent just the actual cost, the price that we are paying out at the present time to produce a 2-year-old under the conditions as they exist this year.

(The statement submitted by Mr. Jenkins is here printed in full, as follows:)

COST OF A TWO-YEAR-OLD.

| | |
|---|---------|
| (1) Cost of cow producing calf: | |
| (a) Feed for one year (hay and feeding \$9.50, fall and spring pasture, grazing and range fee)..... | \$16.45 |
| (b) Interest and taxes on \$70 cow..... | 7.00 |
| (c) Probable loss at 5 per cent..... | 3.50 |
| (d) Bull..... | 2.00 |
| (e) Depreciation | 3.00 |
| | <hr/> |
| | 31.95 |
| Rating at 75 per cent calf crop..... | \$42.50 |
| (2) Cost of yearling: | |
| (a) Feed for a year..... | 10.96 |
| (b) Interest and taxes..... | 4.26 |
| (c) Probable loss at 10 per cent..... | 4.26 |
| | <hr/> |
| | 19.48 |
| (3) Cost of second year: | |
| (a) Feed for one year..... | 16.45 |
| (b) Interest and taxes..... | 6.21 |
| (c) Probable loss at 5 per cent..... | 3.10 |
| | <hr/> |
| | 25.96 |
| | <hr/> |
| | 87.84 |
| Average weight 950 pounds, at an average price of 9 cents=\$85.50. | |
| Selling price as above..... | 85.50 |
| Less cost of marketing..... | 7.50 |
| | <hr/> |
| | 78.00 |
| Loss on two-year-old..... | |
| | <hr/> |
| | 9.84 |

Senator GRONNA. Mr. Jenkins, what would be the ratio of cost for a 3-year-old as compared with a 2-year-old?

Mr. JENKINS. As I have not marketed any 3-year-olds for three years, I would not attempt to say, but it was my opinion at the time

when I quit raising 3-year-olds that the third year was not as profitable as the first two years. So I cut off the third year and increased my number of producing cattle.

Senator GRONNA. Of course in making this illustration you have given you have taken a steer of the very best grade. It has to be a pretty good steer to weigh the number of pounds that you have indicated.

Mr. JENKINS. They weighed less than that this year, but that was the local condition due to a hard winter and a short season on the range that they weighed less this year. But this is a very good average allowance.

Senator GRONNA. Did you hear the testimony of Mr. Cotton and Mr. Durand to the effect that it is impossible to ascertain the cost. I would say, the way you have given it?

Mr. JENKINS. Yes; I heard their testimony, but I believe it is perfectly possible for a rancher in my country, and I believe of a farmer, to report the cattle cost. I keep books. I know what those costs are. We have to make reports for the income tax, and we must have these figures all before us, and it is a very simple matter of arithmetic to determine what the cost is.

The CHAIRMAN. By taking a large number of instances, then, you could arrive at an average?

Mr. JENKINS. Yes; the larger number of instances you have the more nearly, theoretically, you will be to the true cost.

Senator GRONNA. Is it not safe to assume that, as the general thing, those who raise cattle keep books and do know what the cost is to produce them?

Mr. JENKINS. Yes, sir; the most of the raisers of cattle are rather careful in keeping a book account of their expenditures. Practically all the payments made on the larger ranches are made by checks, with the vouchers returned, and they have itemized accounts, besides keeping a book for labor and the yearly account of the increase of cattle. They measure the hay and compute the cost of production pretty thoroughly.

This statement that I have presented here refers to the average ranch in the valley from which I come, and we have perhaps 100,000 head of cattle there.

Senator GRONNA. Mr. Jenkins, you are holding a responsible position. You are the president of the live-stock association.

Mr. JENKINS. No, sir; I am on the executive committee; I am not the president, but I am representing him at the present time.

Senator GRONNA. You are representing him, we will say. Have you been asked to give to this cattle committee or Mr. Cotton or Mr. Durand any information as to the cost of production of range cattle?

Mr. JENKINS. No, sir; I believe not. I have not heard of anyone being asked for that information.

Senator GRONNA. I should have asked you first, have you been asked?

Mr. JENKINS. No, sir.

Senator GRONNA. Do you know of any of your neighbors or any of your people out there who have been asked to testify as to that cost?

Mr. JENKINS. I do not.

Senator GRONNA. If you will pardon the interruption, I want to say I was rather surprised at the statement those gentlemen made, and when I went back to the Senate yesterday I asked Senator Fall, who is also a cattleman and raises cattle on a large scale, and he told me if they will write Mr. M. T. Everhart, Pueblo, Colo., care of the First National Bank, that he will be able to give actual figures for any number of years—20 or 30 or 40 years—as to the actual cost of raising cattle on the range. I simply wanted to add this to show that it is possible to obtain figures and know what the actual cost is.

Mr. JENKINS. Oh, we could name a number of men who could give this information.

The CHAIRMAN. It would be a strange thing, Mr. Jenkins, if any business which had been carried on by human beings for any period of years, taking into account the existing conditions, concerning which there has been kept an accounting, not to have available some sort of a basis so that you could ascertain the cost of production?

Mr. JENKINS. Yes.

Senator RANDELL. Tell me how you get the selling price at 9 cents on 950 pounds. Is that an average selling price of cattle at the present time?

Mr. JENKINS. That was the average selling price at which we disposed of them last fall. I am taking this grade particularly, and that was the average selling price last fall.

I have another matter, if you will allow me, and it will not take but a moment to finish. I would like to call your attention to this: We suffer heavy winter losses, owing to the exposed situation of cattle, the shortage of feed, and severity of climate. In Wyoming, which suffered as little as any of the range States, the loss last winter was 15 per cent or more. The cattle wander over vast tracts of mountain country and many are lost and stolen. We also suffer great losses from predatory animals, chiefly wolves and coyotes.

The forest regulations are such that the tenure of permittees is uncertain and liable to change. Permits are issued subject to change each year, most of them being issued for a year only. This makes money lending and cattle owning a risky business, to say the least.

When you add to these conditions the fluctuating condition of the market, resentment and fear possess the cowman. He is inclined to ship his stock cattle, pay his debts, and "play safe." He feels he has all to gain and little to lose by cutting down the herds to a minimum.

I want to add right here that there is no lack of loyalty among those mountain men. When the call came for volunteers the boys went out from our country to such an extent that we were not struck by the draft. Our quota was filled from volunteers. We have also added some to the next call, and Wyoming, I believe, has shown her loyalty.

The market to-day and for the past few years has been against the better grades of these grass-fed cattle. For example: In 1916 I went with 575 head of "Sixty-seven" and "Seven-bar" cattle to market. I was informed by the commission company that if I had brought butcher stuff to the market I could have received a fancy price. Killers were selling above \$10 per hundred. I sold the top cut of these cattle at \$7.25 and the remainder at \$6.65. When my

bills came in I found that most of the stuff had been purchased by the packers and went over the block in competition with corn-feds. Last year matters were even worse.

To make sure that they went into the packing house, I stayed over one day and went into one of the great packing houses and saw my cattle in the chutes ready to be slaughtered.

The CHAIRMAN. And not being fed at all?

Mr. JENKINS. The higher grades of these are sold over the block as butcher stuff and we are paid feeders prices.

The CHAIRMAN. I wish you would define those terms, Mr. Jenkins.

Mr. JENKINS. What feeders are?

The CHAIRMAN. Yes. I want to get it in the record—the classification and the meaning of this classification.

Mr. JENKINS. The cattle that are brought on the market by corn and feed raisers and taken to feed yards are denominated “feeders”; and then, after having been fed a certain period of time, they are denominated “corn-fed” or “fat” cattle, so that in the quotation—

The CHAIRMAN. Butcher?

Mr. JENKINS. Butcher stuff; yes. In the market quotations you will see stockers and feeders quoted and butcher stuff or fed cattle.

The CHAIRMAN. Are the terms “stockers” and “feeders” interchangeable?

Mr. JENKINS. They are frequently used interchangeably.

The CHAIRMAN. But there is a little shade of difference?

Mr. JENKINS. There is a shade of difference, in that the stockers are a lighter grade in weight and are used largely for stocking the range rather than entering the feed lots.

Senator GRONNA. They are not as highly finished on the range?

Mr. JENKINS. No; they are not. It is possible for us, if we could deliver our cattle to the market with what we call the “bloom” on them, as they come off of the range, to compete with the corn-fed stuff, as finished cattle. They are well-bred and everything is in their favor.

The CHAIRMAN. Is there much shrinkage to them?

Mr. JENKINS. The shrinkage from the average of stock ranch in our valley is close to 10 per cent when they are delivered on the market at Omaha or Kansas City.

The CHAIRMAN. That takes the “bloom” off?

Mr. JENKINS. It is not only the loss in weight, but the loss in appearance. The appearance would justify \$2 a hundred better price, and we would get the increase in weight if we could deliver them in that shape, but the cattle really are not hurt to any great extent. Warming them up restores them to their condition, but we can not do that. When we start from the range we must go to the market. I went with a trainload of cattle last year—they were not mine; I was forced to sell mine before I reached the railroad—that were 23 days from the time they left the ranch until they went on the market in Omaha. They were held 11 days at Opal, the shipping point, at a cost of about \$300 a day.

Senator RANSDELL. What was the average loss in weight?

Mr. JENKINS. As they were not weighed before they started for the market it is impossible for me to state.

Senator RANDELL. It must have been very heavy, however, was it not?

Mr. JENKINS. It was very heavy. That trainload was held over at Grand Island and fed three days in order to restore to a certain extent their former weight.

Owing to the distance from the market, only one shipment is possible and all must go at once; otherwise we could meet the market with smaller shipments of cattle as they are prepared for the slaughter.

The association has suggested a few changes in the laws and regulations that I would like to present at this time:

(a) The permittee should be granted a longer tenure by issuing his permit on the national forest for at least five years, with cuts only on account of injury to the range.

(b) Lands and improvements should be made the basis for a permit.

(c) Some supervision should be exercised over the grazing on public lands outside the forest reserves.

(d) Efficient steps should be taken to exterminate predatory wild animals.

I should say that a good provision has been made this year in the appropriation bill for the work of the Bureau of Biological Survey, and we are very grateful to Congress for recognizing this need.

The CHAIRMAN. Do you think that we could, by appropriating sufficient money, get in there and clean up predatory animals and be rid of them for good?

Mr. JENKINS. I believe, Mr. Chairman, that it would be possible to exterminate practically all of them within a very short period of time with sufficient funds. For my own part I believe that the work being done by the Bureau of Biological Survey is good, and they are coming more and more to understand the situation, and they are accomplishing better results every year; and with the continued support of Congress I think that they will ultimately master the situation.

The CHAIRMAN. Would it be economical to do it as speedily as possible?

Mr. JENKINS. Yes; it would. You understand that we estimate out in our country that the death of every wolf means a yearly saving to the ranchers of at least a thousand dollars. A wolf in his habits kills every other day, and he does not return to the carcass after having satisfied his hunger. In that way there have been instances known in which one wolf has killed as much as \$3,000 worth of cattle in one year. The Bureau of Biological Survey, I believe, killed or caught or poisoned about 180 wolves in the State of Wyoming alone last year. I think I have the figures here as to the full number that they killed during the year in the range States—556 wolves, 22,342 coyotes, 107 mountain lions, 3,053 bobcats, and 60 bears was the toll of the Biological Survey last year.

The CHAIRMAN. And that showed a healthy increase?

Mr. JENKINS. A healthy increase. But when you add to this the large number that have taken the poison bait and died, that the trapper or hunter did not get, the number is almost double. Riding the range almost daily, as I do, I see the evidences of this. The coyotes do not bother my business so much, but they are hard on the production of sheep, and as I represent the live-stock association before you

to-day, I am as much interested in the extermination of the coyotes as I am in the extermination of the wolves.

The CHAIRMAN. Do you think there is any virtue in the claims that they let loose female coyotes and wolves to get the bounty?

Mr. JENKINS. I do not know. I believe that some trappers might be accused of not exercising as great diligence in catching the females as they might.

The CHAIRMAN. They showed more mercy to the females?

Mr. JENKINS. I should think that professional hunters might.

You see, we pay a bounty in my association—that is, the local association—of \$20 a head for a male wolf and \$30 for a female and \$10 for a pup, and it is quite a profitable business where a man follows it right along. The trappers for the Bureau of Biological Survey are not allowed to sell the hides. They work on a salary. My association have agreed with the Bureau of Biological Survey that we will go fifty-fifty with them in putting up money to help exterminate the wolves, and I expected to bring the matter up in the State association of my State and endeavor to secure an appropriation from the State legislature by which the State will cooperate with Congress in helping to exterminate these animals.

Mr. REID. Mr. Chairman, may I ask a question or two?

The CHAIRMAN. You may.

Mr. REID. Mr. Jenkins, you were here when this idea of putting a \$1 tax on every dog in the country was raised, were you not?

Mr. JENKINS. Yes, sir.

Mr. REID. Do you think that if Congress would pass such a law that if that money were spent, or even a small fraction spent by the Biological Survey, not by the bounty system—which, personally, I think is the greatest sort of petty graft I know of in those States—they could exterminate a very large number of those wild animals in a short time—such a sum as \$1,000,000 out of \$10,000,000?

Mr. JENKINS. Yes; I spoke of the dog-tax law before the Agricultural Committee in the House, and there expressed my view that after using what is necessary to exterminate the stock-killing dogs and paying the cost of administration, that at least the major part of the surplus should go to cooperate with the Bureau of Biological Survey for the extermination of predatory wild animals. I offered that resolution in the American National Live Stock Association, and it was my view and is my view to-day.

Mr. REID. The American National Live Stock Association, at least, is against the bounty system, are they not?

Mr. JENKINS. I will say their conscience has possibly hurt them, and they have more or less changed their opinion in the last three years, and to-day I might say that the Bureau of Biological Survey is very favorably received by the members of the American Live Stock Association.

The CHAIRMAN. They work in harmony?

Mr. JENKINS. They work in harmony; yes, sir.

The CHAIRMAN. Is there anything else?

Mr. JENKINS. That is all I have to say.

The CHAIRMAN. We are very much obliged to you, Mr. Jenkins. The committee will adjourn now subject to call.

(Thereupon, at 12.20 the committee adjourned to meet at the call of the chairman.)

INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

SATURDAY, MARCH 30, 1918.

**UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.**

The committee met, pursuant to adjournment, at 10.30 o'clock a. m., Senator Thomas P. Gore presiding.

Present: Senators Gore (chairman), Page, Gronna, Norris, Kenyon, and Wadsworth.

STATEMENT OF MR. ED. C. LASATER, FARMER AND STOCK RAISER, FALFURRIAS, TEX.

The CHAIRMAN. Mr. Lasater, will you please state your name and address?

Mr. LASATER. E. C. Lasater, Falfurrias, Tex.

The CHAIRMAN. And what is your business?

Mr. LASATER. Ranching and farming.

The CHAIRMAN. Have you been connected at any time with the Food Administration?

Mr. LASATER. From the latter part of July until November 9 of last year, 1917, I was in charge of the live-stock department.

The CHAIRMAN. The committee, Mr. Lasater, has the food situation under consideration, and we would like to hear you with particular reference to meat, meat production, meat conservation, meat distribution, and so on.

Mr. LASATER. Mr. Chairman, I am going to ask permission of the committee to refer briefly to a statement made here by Mr. Cotton the other day. Mr. Cotton filed with the committee an Executive order by President Wilson to the Food Administration, and in that Executive order this statement is found. [Reading:]

To find that a just, reasonable, and fair profit is the normal average profit which persons engaged in the same business and place obtained prior to July 1, 1914, under free competitive conditions.

I would like to emphasize that expression, "free competitive conditions." The five large packers are a recognized monopoly. [Reading:]

To indicate, if he shall see fit to do so, what margin over cost will return such a just, reasonable, and fair profit, and take such legal steps as may be authorized by such act to prohibit the taking of any greater profit.

Mr. Cotton said those were the instructions they were doing business under. I would like now to read into the record the President's description of a fair profit:

A price which will sustain the industries concerned in a high state of efficiency, provide a living for those who conduct them, enable them to pay good wages, and make possible expansion of their enterprise which will from time to time become necessary as the stupendous undertakings of this great war develop.

It seems to me that the Food Administration in deciding upon the assured profit as between the producer and the packer should have been guided by this definition of the President, and if they had done so they would have come nearer arriving at justice. In the three-year prewar period the producers of meat animals were not allowed a profit by the packers on meat animals marketed. The packers in the same period took enormous profits. From the terms of the packers' license and the results to producers since they were licensed, it would seem the intent of the Food Administration is to perpetuate this condition.

I want to call your attention briefly to page 7, article 2, under the heading "How profits computed," of the United States Food Administration, meat division, rules and regulations. Mr. Cotton, if you recall, dwelt quite fully upon the packer regulations. I find there this statement. [Reading:]

Interest: No deduction shall be made from profits on account of current payments or accruals of interest on bonds, notes, bills, or accounts payable, or any other interest, for payments or accruals of dividends on any class of capital stock of licensee, or for provisions for sinking funds, nor shall any such payments or accruals or provisions be charged to operating expenses: *Provided*, That any excess payment of interest on bonds, notes, bills, or accounts payable above a rate of 5 per cent per annum may be charged to operating expenses, said excess to be computed on the basis of the aggregate of such indebtedness of all kinds and the aggregate interest thereon.

The packers were licensed on November 1. If the committee will go into it, I think you will find that up to that time the packers' rates of interest paid were under 5 per cent. Mr. Cotton stated the other day that they were around 6 per cent. Now, under the terms of this license, it is not to the interest of the packer, especially as he is largely interested in the banking business, to hold down the rates of interest. He is permitted to charge everything in excess of 5 per cent to expenses. And if you assume that the packer borrows in amounts about equal to his capital stock, which, I understand, he does, then the 4 per cent—the difference between 5 per cent and the 9 per cent that he is allowed to make on all amounts handled, would give him, on class 1, 13 per cent net profit, and on class 2, 19 per cent net profit, according to the terms of this license. I would like to read just one paragraph from an address made by Mr. Cotton before the American National Livestock Association, January 16 of this year, at Salt Lake City. [Reading:]

I am not talking about a guaranty to the producer of a fair profit every year; and I am not because I know the day in which I talk about that—much as I would like to see it—I have got to talk about a fair living wage for every sweatshop employee in the East and for every cracker in the South, and you gentlemen know that we can not promise that to every part of the country.

Mr. Cotton was not placed in a position to handle either the sweatshop employee or the farmer of the South, but he was placed

in a position where he could secure justice for one of the large producing classes of this country—that is, the meat producer. Mr. Cotton, in every talk I have had with him in regard to production, has shown an intentional disregard of the interests of the producer, with a determined disregard of justice for him. After reading the packer's license, that statement can not be made as far as the interests of the large packers are concerned.

You had under consideration, the other day, the cost of production of cattle. I would like your permission, briefly, to refer to that. Referring to the Department of Agriculture's Report No. 111, entitled "Meat situation in the United States," I find that the average cost of a stocker yearling—as shown in table 32, as obtained from 190 farms—was \$53.54, this cost ranging from \$41.15 in South Dakota to \$57.97 in Iowa, or \$58.86 in Illinois. The average feed cost was \$12.32, varying from \$8.04 in South Dakota to \$14.49 in Iowa.

Senator NORRIS. Is that per pound?

Mr. LASATER. That is per 100 pounds. I will not read the itemized statement, it would take too long; but I will read the results. The average weights of yearlings range from 475 to 500 pounds. Taking the maximum weight given, the 500-pound yearling, and the average cost of \$53.54, you will find that the average cost of the stocker yearlings throughout the corn belt was \$10.70 per 100 pounds for the years 1914 and 1915.

Now, I want to carry that yearling to the 1,000-pound feeder form, which this bulletin enables us to do. In this estimate of the cost of carrying the yearling I take it that you will carry him for 18 months from the stocker form into the feeder form and make a 1,000-pound feeder steer for the Chicago market. I take the cost shown here for carrying the cow. The costs for the cow and stocker steer would not be identical; the cow would consume more roughage, and to make the gain in the yearling steer you would have somewhat more of a charge for grain than in the cow. There would be no great difference between the costs for the yearling and for the cow carried 18 months.

I find that the cost shown here would be \$48.53 for carrying the yearling 18 months; that is, two summer-grass periods and one winter.

The CHAIRMAN. That is not per 100 pounds?

Mr. LASATER. No; that is per head. The average weight would not exceed 1,000 pounds. That would make \$10.20 per 100 pounds the cost of the feeder, as against \$10.70 for the stocker steer. You see, in this feeder steer you have a two seasons' grazing period, which is much less than carrying him over two winter periods would be. The stocker you carry through one winter and one summer; the feeder you carry through two winters and three summers.

Now, as was shown here, these high-priced feeders were bought at around 12 cents. If you add 25 per cent advance for the last two years—and we know there has been more than that advance in cost of producing cattle in the corn-belt section—you would have a price of better than 12 cents, about 12.80 for your feeder steer. Not many have sold at that, and a great many sold as low as 9 cents on the Chicago market.

I would like to call your attention here to this fact: You will find an apparent antagonism as between the feeders of the corn belt and

the producers of the country; that is, the raisers of the animals that they handle.

The CHAIRMAN. That is, the producer raises the stocker?

Mr. LASATER. He raises the stocker. In the decade prior to 1900 stockers and feeders were selling at so low a price that you could not produce them even in the range country at a profit, so there was an undue marketing of mother cows the country over, not only throughout the corn-belt section but throughout the range country. There were hundreds of thousands of cows marketed that brought practically only the value of the hides. Many of them marketed from Texas netted \$5 per head.

In the decade following 1900 there was an appreciation in stocker stuff, but it never got on a remunerative basis until the second decade after 1900. For the eight years behind us, with the exception of last year, the producer of the stocker steer has had the best end of the business. That was due to the fact that while we were cashing our cows we cashed them to such an extent there were not enough cows left in the country to produce stockers and feeders to consume the roughage and grains of the country or supply the demand for meat.

Now, the Department of Agriculture for some years back has been exploiting the idea of "baby beef" as the economical form in which to market beef. I believe that is correct. To carry out that idea it is absolutely essential that we have more mother cows and distribute them better on the farms of the country than they are distributed at this time. It is a fact, as the Food Administration has stated, that a good percentage of the beef of the country is not produced in its most economic form, but that is a situation that has been brought about by circumstances over which the producer has had no control. He has been placed in the situation where he had to do what appeared to be best at the time. There has been a change in the six or seven years prior to 1917, and the cows have been increasing the country over. The country has had the intelligence to plan to put itself in a position to supply the increased demand for beef in the form of baby beef. I want now to show you, by this bulletin, from which I have just read, the cost and the results through these same two years in the production of baby beef.

The CHAIRMAN. Baby beef is sold at what age?

Mr. LASATER. It is sold at from a year to a year and a half old. [Reading:]

The baby-beef animal sold at an average of \$73.45 a head (*see* Table 43) or \$8.81 per hundredweight. The average price for 1914 was \$72.11 per head, or \$2.20 less than in 1915, the average difference per hundredweight being 18 cents. The selling price varied from \$62.26 per head, or \$8.24 per hundredweight, in Missouri to \$80.28 per head, or \$9.04 per hundredweight, in Illinois. The average cost of marketing was \$2.15, making the farm value \$71.30. The average farm profit for the two years was 78 cents per head, or 9 cents per hundredweight. In 1914 there was a loss of \$1.42 on each baby-beef animal. The baby beeves sold in 1915 made a profit of \$2.18 a head, or 26 cents per hundredweight. These animals generally weighed a little more than did those in 1914, and also brought a little better price.

The profit shown of 78 cents per head does not comply with the President's definition of a fair profit, and is a trifle compared to the packers' profits, either their present profits or their profits before they were placed under Federal license.

Now, for these same two years in which we are studying the cost of stocker and feeder production the Government shows that beef, in its cheapest form of production, returned a profit of 78 cents per head to the producers. That indicates why in 1917 we had such an undue marketing of immature steers and mother cows. The producer commenced to question his judgment in accumulating cows. The increased marketing of over 3,000,000 head in 1917 over 1916 was made up of these two classes. That is shown by the weights on the markets, and it is also shown by the fact that for 1914, 1915, and 1916 the price for canner stuff, compared to previous years, was high, so the country was cleaner of canner stock, common stock, at the commencement of 1917 than for many years. The increased marketing of cattle, therefore, could not have come from any class except immature steers and young cows.

It must be to the national interest to maintain the markets of the country in such a condition as to permit this economic beef, as time goes on, to largely produce the beef supply of the country. If through any agency you hold down the price of stocker and feeder steers you must, as the year 1917 indicates, discourage the holder of the cow, because no man is going to keep the cow unless he can make the cow pay her way and give him a reasonable profit. He can not do that unless the stocker and feeder sell on the markets of the country at a price that will return that profit.

Senator GRONNA. I think it was admitted by both Mr. Cotton and Dr. Durand that there was no profit in the highly finished beef.

Mr. LASATER. They made the statement, Senator Gronna—at least Mr. Cotton did, and he is on record as having made the same statement at the convention at Salt Lake City—that the reason the feeders lost money was because they bought the feeders too high. What I want to show you is that the prices brought by the average feeder steer did not return the cost of production—

Senator GRONNA. I did not finish my question. I was going to ask you to show to the committee, if you can, whether or not the price these feeders paid far an unduly high price and whether it has brought the producers of cattle an unduly high profit.

Mr. LASATER. No. Referring again to this bulletin, it shows these cattle could not have been produced at a less cost than they brought on the market. As a matter of fact, when you go below the best grades of feeders, the producers of stockers and feeders took a loss in 1917.

Two years ago, at the El Paso convention of the American National Live Stock Association, Mr. Meeker, speaking for the packers, made the same statement that Mr. Cotton, representing the Food Administration, made in his talk at Salt Lake City this year; that is, that the feeders had laid in their supply at too high a price, and they could not expect any bunch of packers to pay prices that would return them a profit when they considered the prices they paid for their stuff the previous fall.

As shown by these bulletins, in both 1914 and 1915 the feeders took big losses. As a matter of fact, up to date we have marketed three crops and part of the fourth crop of beef cattle since the European war started. Two of those crops, 1914 and 1915, were marketed at a loss. The next season's supply, 1916 and 1917, showed a profit,

and up to date 1917 and 1918 show a loss. The condition of the beef market for the past several seasons is one of the reasons why in 1917 you find the big run of immature steers and breeding cows. In the Northwest and the Southwest the drought conditions forced practically half of the excess run in those two sections. The balance of the excess run came from sections well supplied with feed.

Senator GRONNA. Those are conditions, of course, which almost must be taken into consideration in the production of cattle?

Mr. LASATER. I would like to state this: Unless you are going to allow the grower of cattle or the producer of any commodity a price that in a series of years will recoup him for his losses from unfavorable weather conditions, you unquestionably force him out of business. You must either sell him insurance and allow him to add the amount paid to production cost or allow him to collect a like amount if he carries the risk.

I have some resolutions here that were passed by the Texas Cattle Raisers' Association, which met on March 18 to 21 in Dallas, Tex. I would like to read one resolution on this subject, drawn by the executive committee and adopted by the convention. [Reading:]

Resolution No. 6. We warn those in authority that we do not think there is in sight an increase of the country's beef supply. The factors working against it are the unprecedented drought, the high cost of all feedstuffs, and the stringency of money and increased rates of interest thereon applied to cattle paper, and unstable and unsatisfactory market conditions. We do not believe the Government authorities have given sufficient study to the producing end of the business, nor do we believe that simply reducing consumption should be the end of effort. We think the Government could do much in the matter of credits and markets.

I would also like to read from the same resolutions, resolution No. 4. It is quite short. [Reading:]

We recognize the value of the investigation conducted by the Federal Trade Commission and the fearless Francis J. Heney and trust it will be prosecuted to the end, in the hope that out of it may come some relief to the live-stock growers of the country.

Senator GRONNA. Mr. Lasater, did you hear the testimony of Mr. Cotton and also Dr. Durand with reference to the almost impossibility of knowing the cost of range cattle?

Mr. LASATER. Yes; I heard them testify, and I have read Mr. Cotton's testimony.

Senator GRONNA. What have you to say with regard to that?

Mr. LASATER. I think, sir, it is as easily ascertainable as would be the cost of production of any commodity over a great country. Of course you would not have an identical cost in Texas and in Illinois, but you can arrive at the average cost.

Senator NORRIS. As I understand you, that cost has been deduced from this bulletin of the Agricultural Department?

Mr. LASATER. Yes. That is a study made by the Government, and it shows the average of the farms from Indiana to South Dakota. I will say this: Take a series of years prior to the last three. Texas could produce much under those prices, but owing to drought conditions for the last three years Texas has not been able to duplicate those prices. Costs have been higher than those shown for the corn belt. That country to-day is in such a situation that unless rain comes not later than the middle of May many thousands of people will face a loss of their cattle.

I was talking with Mr. Marion Samsom, who has recently been appointed on a live-stock committee of the Department of Agriculture and the Food Administration as the representative from Texas. He was telling me of the situation in Tom Green County; he has a ranch located in that county. He said:

I have feed to carry me up to the middle of April. I can not buy any more feed. It is impossible to buy roughage to ship in. The pastures in Oklahoma and Kansas, which have been the usual outlet for our surplus stock, have been advanced to \$18 a head for summer grazing, and I do not know a pasture that has not been taken even at those prices. So I may be placed in a position where I will just simply have to let those cattle die.

In other words, he knew of no place he could move his stuff to, and he could not command feed after the middle of April. I will say that applies to a section of country larger than all New England. It runs from Houston, Tex., to New Mexico, including a good part of New Mexico. The Panhandle and northeast Texas and north Texas are in a better situation.

Senator NORRIS. For what years were those figures you read from the Department of Agriculture on the cost of production?

Mr. LASATER. They were issued July 1, 1916, and the report is for 1914 and 1915.

Senator NORRIS. Of course the items of cost would have to be considerably increased to apply to the subsequent years?

Mr. LASATER. Yes. In applying it to the feeder steer of last year I added 25 per cent in the prices I gave you. I think you gentlemen know enough about feed stuffs to know that that is most moderate.

The CHAIRMAN. The prices paid for feeders last fall and the prices paid at that time for the finished stuff held out a hope of reasonable profits, did they not?

Mr. LASATER. It was the widest margin I have ever known since I have been in the business. There was a difference between feeder prices and the prices of finished cattle of between 4 and 5 cents.

Senator NORRIS. And before the cattle were finished that margin was wiped out?

Mr. LASATER. That margin was wiped out.

The CHAIRMAN. The finished cattle sold for about what they had paid for feeders?

Mr. LASATER. Sold per pound at about what they had paid per pound for them.

The CHAIRMAN. Without any sea-level, or yardstick, or any other standard for the measurement of cost of production, how would it be possible to formulate a system of any sort to insure cost of production to the producer, or profit, or anything else?

Mr. LASATER. You have got to establish standards, sir, before you can do it. That is absolutely essential.

The CHAIRMAN. I suppose, Mr. Lasater, you have your statement mapped out in your mind. There is another question I would like to ask you, but I will defer it.

Mr. LASATER. As showing that the policies and practices of Mr. Hoover, as Food Administrator, are harmful to the common welfare I submit the following:

First. His statistics made public in Food Administration Bulletin No. 10, and other Food Administration issues to the public purporting to show the condition of live-stock supplies for the allies, central

powers, and neutrals, were grossly wrong in the following particulars:

Mr. Hoover's statistics show a shortage of cattle, hogs, and sheep aggregating 115,005,000. Crop Bulletin of February, 1918, of the United States Department of Agriculture shows an increase of the allies and neutral countries in cattle, hogs, and sheep of 8,849,000, or an increase practically of 2½ per cent since the commencement of war. There are no statistics available for the central powers since the war commenced.

Bulletin No. 721 of the Department of Agriculture shows the prewar aggregate number of cattle, swine, and sheep of the central powers to have been 134,937,000 head. The central powers have been less devastated by contending armies than have the allies. The reasonable thing to expect is that their live-stock production has been affected no more disadvantageously than has that of the allies and neutrals. But estimating that the central powers have decreased their live stock 20 per cent since the war started, that would amount to a shortage of live stock that enters into the European and American meat supply of only 26,987,400 head, which still leaves a shortage to find of 96,865,000, according to Mr. Hoover's estimate.

Russia has not been taken into consideration in the above estimate, because it does not appear that the figures obtainable are reasonably correct, though secured by the Government from the best sources available. The increases shown for Russia in monthly crop report of February, 1918, of the United States Department of Agriculture are 35,064,000 cattle, swine, and sheep, or an increase of 47 per cent since the war commenced; adding this increase to the total supply available for European and American markets, we have an increase of 131,929,600 above the estimates furnished the country by Mr. Hoover. Mr. Hoover could not have had any basis of fact for his statistics given to the public as above outlined. The object of such misinformation was to persuade the producers of the United States of America to increase their supplies of live stock by emphasizing the economic strength of the position of live stock.

Second. Pledging the producers of the Nation cost plus a reasonable profit on fattened live stock, as evidenced by his letter to W. T. Creasy, chairman Federal Board of Farm Organization, which reads:

SEPTEMBER 24, 1917.

W. T. CREASY,

Chairman Federal Board of Farm Organization,

815 Woodward Building, Washington, D. C.

DEAR MR. CREASY: I would be glad if you would bring before your committee the essential necessity for the welfare of our Nation and the democracies of the world that the production of our food supplies be increased. We have a right to expect, and do expect, that the farmers of America will put forth their best efforts to bring this about.

Should nature favor the farmer's efforts for increased yields, it is the whole Nation's responsibility to see that these yields are conserved to the Nation's benefit and that a fair compensation is returned to the farmer for his labor and capital used in production of food supplies. An abundance of food supplies should not mean their production at a loss to the farmer. While the Government guaranty on wheat assures this production, the stimulation of the production of feeding stuffs and of animal products is of no less, or even more, importance.

The Food Administration intends to the fullest extent of its powers, through the influence of export buying, to maintain a price for animal products that

will give a reasonable return to the producer, for it is our conception that stimulation of production is vital to the Nation and must be encouraged in every way. This increase in animal production must be to the farmer's own interest, for a market not only exists to-day for such increase at highly profitable levels, but must continue long after peace is declared, for Europe is being steadily denuded of its animals.

The Food Administration is supplied with the necessary power to prevent any "unjust, unreasonable, discriminatory, and unfair charge, profit, or practice" affecting the welfare of the producer. This power will be used wherever necessary to secure that the grower's products reach the consumer at reasonable and normal cost of manufacture and distribution.

I do hope your council will use every influence in securing the results we so much need. We have ample supplies for our own people; the increase of production is necessary for our allies. They are our first line of defense, and must be maintained.

It also appears to me that the farm-labor problem needs earnest consideration of your committee, for next year's increase of production vitally depends upon securing more adequate labor.

Yours, faithfully,

HERBERT HOOVER.

That is also evidenced by his telegram of October 14 to Mr. L. B. Joseph, of Whitewater, Kans., which reads as follows:

L. B. JOSEPH, *Whitewater, Kans.*:

Reply to your telegram. The Food Administration will take no steps that will jeopardize the interests of the live-stock producers of the country. Our whole aim has been and will be to stabilize prices by eliminating any occasion for rapid fluctuation in price. All the powers committed to our hands will be used to keep the prices at which allied and governmental purchases are made on a plane that will permit a return of the cost of production plus a reasonable profit to the finishers of all meat animals. In our opinion the best market that will be obtainable for the present corn crop of the country will be by marketing it through live stock. We need an increased production of beef and pork.

HERBERT HOOVER.

In that connection I want to read another telegram——

The CHAIRMAN (interposing). Let me ask you a question there. You heard Mr. Cotton's statement that where they had marketed the corn through live stock it did not bring them as large a profit as where they marketed corn as corn?

Mr. LASATER. Yes; we know that to be true.

If you will permit me, I will read this telegram sent by Mr. Hoover to Mr. J. F. Deems, Federal food administrator of Iowa. This was sent at a time when Mr. Hoover had instructed Mr. Pinchot and myself to go West and get a request from the hog producers of the corn belt to the Food Administrator that the price of hogs on the market be correlated to the price of corn. Before leaving Washington I presented certain memoranda to Mr. Hoover and told him I would like to get that before the corn-belt producers before we left. He said, "I will incorporate that in a telegram to the food administrator of Iowa," which he did. This is the telegram:

SEPTEMBER 28, 1917.

J. F. DEEMS,

Federal Food Administrator, Burlington, Iowa:

I understand the Waterloo Fair will offer an opportunity to reach the Iowa farmer. Messrs. Pinchot and Lasater, of our office, will put themselves in communication with you and will attend, but I would like it if you would yourself convey the following message to the Iowa farmer. Quote. I would be glad if you would present to the Iowa farmers the pressing necessity from a national and war interest of increasing our hog output, and at once. Pigs have become a vital issue in the world. Iowa, our banner hog-producing State, has fallen

behind during the past year because of economic conditions adverse to the hog producer. This next year we will have a corn and feed crop in the country in excess of the animals to be fed, and in consequence we should have moderate or even low prices for corn and other feeding stuffs.

On the other hand, we will have high prices for animal products, and in face of this national situation it must be my duty to exert my every influence through expert buying and otherwise to maintain prices that will remunerate the producer and stimulate production. So far as I can see, the conversion of corn and other feeding stuffs into animals is the only method of marketing our large feed crops, and must be to the producers' interest. This interest extends beyond this, however, for unless we secure a rapid increase in production of fats we will need, in order to protect our domestic supply, to restrict the exports to our allies. This is indeed a dangerous course, for they are our first line of defense and must be fed, and, again, is a matter of common humanity, for fats are critical to human life. I am, therefore, depending upon the farmers of our corn States to support the vital issues of the war by putting more weight on their present hogs, and to increase the herd in every direction.

Now, as has been testified here, since this investigation started they have had an improvement in the market price of hogs, cattle, and sheep—a most material improvement.

The CHAIRMAN. Since this hearing began?

Mr. LASATER. Since this hearing began. But up to that time, as shown by the different people who have testified before this committee, heavy hogs were discriminated against.

The CHAIRMAN. And so were heavy cattle.

Mr. LASATER. Decidedly so. But this he specially requested, and both Mr. Pinchot and myself emphasized this to the audiences we addressed. Mr. Pinchot has the memorandum in Mr. Hoover's own handwriting giving us our instructions on that. This telegram continues:

While I willingly pledge myself to leave no stone unturned to maintain profitable return, I do not feel that Iowa needs more than the suggestion that this is a prime service in the war and that every farmer should take up the national burden with the zeal that my native State has shown in every national cause. It is up to Iowa to lead.

HERBERT HOOVER.

Senator NORRIS. Would it disconcert you to ask you some questions about what you did?

Mr. LASATER. Not at all.

Senator NORRIS. You and—Mr. Gifford Pinchot, was it, that accompanied you?

Mr. LASATER. Yes, sir.

Senator NORRIS. Went out to Iowa under his instructions?

Mr. LASATER. Yes, sir.

Senator NORRIS. That was when you were connected with the Food Administration?

Mr. LASATER. Yes, sir.

Senator NORRIS. What did you do out there?

Mr. LASATER. We both went first—Mr. Pinchot went over to Des Moines, Iowa.

Senator NORRIS. You made speeches around over the State?

Mr. LASATER. We made speeches at Waterloo, Iowa, at Omaha, Nebr., and Kansas City, Mo. We had meetings of the hog growers of that entire territory.

Senator NORRIS. And you told them what Mr. Hoover outlined in that telegram?

Mr. LASATER. Practically what is stated in that telegram; yes, sir. We emphasized that to the best of our ability.

Senator NORRIS. You tried to get them to put more meat on the hogs, to make the hog bigger?

Mr. LASATER. We did.

The CHAIRMAN. And succeeded?

Mr. LASATER. We did succeed; yes, sir.

Senator NORRIS. These meetings you addressed were attended by men who produced hogs?

Mr. LASATER. Yes, sir.

Senator NORRIS. The stockmen of the country?

Mr. LASATER. Yes, sir.

Senator NORRIS. Were your speeches given circulation over the country through the newspapers?

Mr. LASATER. Yes; they were.

Senator NORRIS. And you came back to Washington?

Mr. LASATER. I came back directly from Waterloo. I addressed two meetings there, one of just hog producers, and another one out at the fair grounds.

Senator NORRIS. They knew you represented Mr. Hoover?

Mr. LASATER. They did. I addressed a conference there at the fair grounds of probably 2,000 people.

Senator NORRIS. And you reported to Mr. Hoover when you came back?

Mr. LASATER. We did.

Senator NORRIS. You told him what you had done?

Mr. LASATER. We did.

Senator NORRIS. Did you receive his approval then?

Mr. LASATER. We did not; he had changed his mind when we got back.

Senator NORRIS. Are you going into that?

Mr. LASATER. I did not intend to go into that just now.

Senator NORRIS. I do not want to interfere with what you have in mind, but I did not want to pass that matter.

The CHAIRMAN. I would like to ask you one question in that connection. Did you go back over the ground and tell them that Mr. Hoover had changed his mind?

Mr. LASATER. No, sir.

Senator GRONNA. Mr. Chairman, may I ask just one question? What was the result to the farmers as to finishing their heavy hogs?

Mr. LASATER. There has been a decided loss in making the hogs heavier. There is no question about that.

Senator GRONNA. Is it not a fact that the farmer was paid a lower price?

Mr. LASATER. Yes, sir; 20 cents, and in some instances more. Instead of receiving, as we outlined to the farmer he would receive, a bonus for making the hogs heavier, he was discriminated against and they were taken at a lower price.

The CHAIRMAN. I think you heard the statement by Mr. Cotton in which he admitted that the farmer was paid 20 cents less for a heavy hog than for a medium-sized hog?

Mr. LASATER. Yes, sir; that was a fact. Quoting from an editorial in Wallace's Farmer, of March 15:

For some cash lard, pork, and ribs have been selling at prices which justify the packers in paying \$18.50 to \$20 per hundredweight for hogs. The packers have been buying their hogs at about \$16.25, however, and consequently have been making an excess profit of several dollars per hundred on all hogs bought.

Third; conspiracy to break the cattle market to point below the cost of production.

This is shown by the statement of an allied buyer to Messrs. Pinchot and Lasater on about October 1, that—

Mr. Hoover had requested him to stay out of the beef market for some days, assigning as a reason that he, Mr. Hoover, thought that the beef market would go cheaper.

It is evidenced by the Dana Durand interview appearing in the Chicago Journal of October 6. Mr. Durand is second to Mr. Cotton in the meat division of the United States Food Administration. This interview in question is in part as follows:

[Chicago Journal, Saturday, Oct. 6, 1917.]

TEN-DOLLAR AMERICAN HOG IS SOUGHT.

E. Dana Durand, who was Director of the Census under President Taft, is working in Chicago for Herbert C. Hoover on a job which he admits is harder than taking the census. He is trying to figure out a way to bring \$10 hogs again into being in America.

To accomplish this without resorting to maximum price fixing or interfering with the operation of the law of supply and demand a scientific scheme of market control is worked out. Instead of being under the direction of the packers it is to be directed by the Government; to bring the hogs to market in a steady stream instead of an alternate surplus and scarcity is part of the problem. To regulate the price of corn is another equally important move.

TEN TO ONE IN HOG-CORN RATIO.

Ten-dollar hogs and \$1 corn is the ratio which is accepted as the one which ought to prevail and which, if it can be restored to the American live-stock market, will mean more toward the happiness of the world than was ever even promised for the magic formula of "Sixteen to one."

At this date—October 6, 1917—it was costing the producers more than \$18 per hundred to produce hogs. A deluge of immature hogs and cattle were dumped on markets as a consequence of this interview. The continuance of the conspiracy is further shown by part of the following letter signed by the Cudahy Packing Co. by F. E. Wilhelm, which was read into the record at the hearing before the Federal Trade Commission in the packers' investigation at Chicago March 1, 1918:

JANUARY 18, 1918.

Mr. W. DEISING,
Care of the Cudahy Packing Co.,
South Side Station, Omaha, Nebr.

DEAR SIR: Yesterday we had quite a meeting in Dr. Durand's office. The conservation committee meeting was postponed, and this meeting was to discuss further allotments. Those attending were Messrs. Meeker and White, of Armour & Co.; Messrs. Hyman and Lacey, of Morris & Co.; Mr. Peterson, of Wilson & Co.; Messrs. Edward F. Swift, Charles H. Swift, and Carr, of Swift & Co.; Messrs. Shepard and Wilhelm, of the Cudahy Packing Co.

Mr. Durand said that this thing would have to be handled in some way to avoid advancing the cattle market; that that was the thing that absolutely must not come about, and if it did he would take drastic measures to prevent it; for instance, he indicated that if it required 10 per cent or even a higher percentage of your purchases to take care of this export business you were

going to be correspondingly short in your branches. This would have a tendency to raise the beef market—which we all admitted—and that in turn the live-stock market. We all agreed that we would see that we did not pay any more for live stock.

This is further shown by a letter from Mr. Hoover to Mr. Lasater under date of December 4, which in part says:

If you resigned because we stopped meat exports during a short period of acute shortage to our own customers, you now witness a large increase of exports to the allies as the complement of our conservation policy and our desire to support the cattle industry.

This statement from Mr. Hoover confirms the statement made by the allied buyer to Messrs. Pinchot and Lasater previously mentioned. But the Bureau of Markets of the United States Department of Agriculture, monthly report, shows that there was marketed during September, October, and November, 1917, more than 1,500,000 cattle than were marketed during the same months of 1916 and on December 1, 1917, the surplus of beef in cold storage had increased over the same date for 1916 57 per cent, which plainly shows that the "acute shortage" claimed could not have existed. The report of the Bureau of Markets of January 1, 1918, shows 308,675,029 pounds of frozen beef in storage; the report of February 1, 1918, shows 283,671,955 pounds in storage.

The records of the Food Administration show that there was no diminution in consumption of meat for the Nation as a whole during 1917 compared with 1916. The Food Administration, cooperating with the packers, did succeed in breaking the market for beef cattle from September 1 to December 1 about \$4 per hundred. The losses from December 1 to March 6, 1918, average more than \$20 per head on steers marketed.

In that connection I want to read, from the report of the packer investigation, a letter from the files of the Cudahy Packing Co., at Omaha. The object in reading that is to show that certainly the packers are not anticipating that any limit will be put on them as to profits.

Senator GRONNA. What investigation do you refer to?

Mr. LASATER. The investigation by the Federal Trade Commission.

The CHAIRMAN. What is the date of this?

Mr. LASATER. The date is not given here, sir; but it was January 17 or 18, I think. It was early in January. [Reading:]

THE CUDAHY PACKING CO.,
South Side Station,
Chicago, Ill.

United States Food Administration License No. G30818.

Mr. W. DIESING,

Care of The Cudahy Packing Co.,
Omaha, Nebr.

DEAR SIR: Yesterday Mr. Shepard attended a meeting of the packers with Mr. Cotton, and nothing was said about beef.

He says that the other day Mr. Cotton spoke to the five big packers in a very confidential manner, saying that he didn't want this known to the others at all, but that the industrial situation in the Argentine was very much upset, and that freight handlers, employees and all of the packing houses were virtually out on strike and on that account the allied commission would be buying a large quantity of beef for the English mission.

Now, neither Mr. Durand nor Mr. Cotton stated that as the reason for that English order for beef. Mr. Cotton stated it was to relieve

behind during the past year because of economic conditions adverse to the hog producer. This next year we will have a corn and feed crop in the country in excess of the animals to be fed, and in consequence we should have moderate or even low prices for corn and other feeding stuffs.

On the other hand, we will have high prices for animal products, and in face of this national situation it must be my duty to exert my every influence through expert buying and otherwise to maintain prices that will remunerate the producer and stimulate production. So far as I can see, the conversion of corn and other feeding stuffs into animals is the only method of marketing our large feed crops, and must be to the producers' interest. This interest extends beyond this, however, for unless we secure a rapid increase in production of fats we will need, in order to protect our domestic supply, to restrict the exports to our allies. This is indeed a dangerous course, for they are our first line of defense and must be fed, and, again, is a matter of common humanity, for fats are critical to human life. I am, therefore, depending upon the farmers of our corn States to support the vital issues of the war by putting more weight on their present hogs, and to increase the herd in every direction.

Now, as has been testified here, since this investigation started they have had an improvement in the market price of hogs, cattle, and sheep—a most material improvement.

The CHAIRMAN. Since this hearing began?

Mr. LASATER. Since this hearing began. But up to that time, as shown by the different people who have testified before this committee, heavy hogs were discriminated against.

The CHAIRMAN. And so were heavy cattle.

Mr. LASATER. Decidedly so. But this he specially requested, and both Mr. Pinchot and myself emphasized this to the audiences we addressed. Mr. Pinchot has the memorandum in Mr. Hoover's own handwriting giving us our instructions on that. This telegram continues:

While I willingly pledge myself to leave no stone unturned to maintain profitable return, I do not feel that Iowa needs more than the suggestion that this is a prime service in the war and that every farmer should take up the national burden with the zeal that my native State has shown in every national cause. It is up to Iowa to lead.

HERBERT HOOVER.

Senator NORRIS. Would it disconcert you to ask you some questions about what you did?

Mr. LASATER. Not at all.

Senator NORRIS. You and—Mr. Gifford Pinchot, was it, that accompanied you?

Mr. LASATER. Yes, sir.

Senator NORRIS. Went out to Iowa under his instructions?

Mr. LASATER. Yes, sir.

Senator NORRIS. That was when you were connected with the Food Administration?

Mr. LASATER. Yes, sir.

Senator NORRIS. What did you do out there?

Mr. LASATER. We both went first—Mr. Pinchot went over to Des Moines, Iowa.

Senator NORRIS. You made speeches around over the State?

Mr. LASATER. We made speeches at Waterloo, Iowa, at Omaha, Nebr., and Kansas City, Mo. We had meetings of the hog growers of that entire territory.

Senator NORRIS. And you told them what Mr. Hoover outlined in that telegram?

Mr. LASATER. Practically what is stated in that telegram; yes, sir. We emphasized that to the best of our ability.

Senator NORRIS. You tried to get them to put more meat on the hogs, to make the hog bigger?

Mr. LASATER. We did.

The CHAIRMAN. And succeeded?

Mr. LASATER. We did succeed; yes, sir.

Senator NORRIS. These meetings you addressed were attended by men who produced hogs?

Mr. LASATER. Yes, sir.

Senator NORRIS. The stockmen of the country?

Mr. LASATER. Yes, sir.

Senator NORRIS. Were your speeches given circulation over the country through the newspapers?

Mr. LASATER. Yes; they were.

Senator NORRIS. And you came back to Washington?

Mr. LASATER. I came back directly from Waterloo. I addressed two meetings there, one of just hog producers, and another one out at the fair grounds.

Senator NORRIS. They knew you represented Mr. Hoover?

Mr. LASATER. They did. I addressed a conference there at the fair grounds of probably 2,000 people.

Senator NORRIS. And you reported to Mr. Hoover when you came back?

Mr. LASATER. We did.

Senator NORRIS. You told him what you had done?

Mr. LASATER. We did.

Senator NORRIS. Did you receive his approval then?

Mr. LASATER. We did not; he had changed his mind when we got back.

Senator NORRIS. Are you going into that?

Mr. LASATER. I did not intend to go into that just now.

Senator NORRIS. I do not want to interfere with what you have in mind, but I did not want to pass that matter.

The CHAIRMAN. I would like to ask you one question in that connection. Did you go back over the ground and tell them that Mr. Hoover had changed his mind?

Mr. LASATER. No, sir.

Senator GRONNA. Mr. Chairman, may I ask just one question? What was the result to the farmers as to finishing their heavy hogs?

Mr. LASATER. There has been a decided loss in making the hogs heavier. There is no question about that.

Senator GRONNA. Is it not a fact that the farmer was paid a lower price?

Mr. LASATER. Yes, sir; 20 cents, and in some instances more. Instead of receiving, as we outlined to the farmer he would receive, a bonus for making the hogs heavier, he was discriminated against and they were taken at a lower price.

The CHAIRMAN. I think you heard the statement by Mr. Cotton in which he admitted that the farmer was paid 20 cents less for a heavy hog than for a medium-sized hog?

Mr. LASATER. Yes, sir; that was a fact. Quoting from an editorial in Wallace's Farmer, of March 15:

522 INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

For some cash lard, pork, and ribs have been selling at prices which the packers in paying \$18.50 to \$20 per hundredweight for hogs. packers have been buying their hogs at about \$16.25, however, and consequently have been making an excess profit of several dollars per hundred all hogs bought.

Third: conspiracy to break the cattle market to point below cost of production.

This is shown by the statement of an allied buyer to Messrs. Pinchot and Lasater on about October 1, that—

Mr. Hoover had requested him to stay out of the beef market for 30 days, assigning as a reason that he, Mr. Hoover, thought that the beef market would go cheaper.

It is evidenced by the Dana Durand interview appearing in the Chicago Journal of October 6. Mr. Durand is second to Mr. Cott in the meat division of the United States Food Administration. This interview in question is in part as follows:

[Chicago Journal, Saturday, Oct. 6, 1917.]

TEN-DOLLAR AMERICAN HOG IS SOUGHT.

E. Dana Durand, who was Director of the Census under President Taft, is now working in Chicago for Herbert C. Hoover on a job which he admits is harder than taking the census. He is trying to figure out a way to bring \$10 hog again into being in America.

To accomplish this without resorting to maximum price fixing or interfering with the operation of the law of supply and demand a scientific scheme of market control is worked out. Instead of being under the direction of the packers it is to be directed by the Government; to bring the hogs to market in a steady stream instead of an alternate surplus and scarcity is part of the problem. To regulate the price of corn is another equally important move.

TEN TO ONE IN HOG-CORN RATIO.

Ten-dollar hogs and \$1 corn is the ratio which is accepted as the one which ought to prevail and which, if it can be restored to the American live-stock market, will mean more toward the happiness of the world than was ever even promised for the magic formula of "Sixteen to one."

At this date—October 6, 1917—it was costing the producers more than \$18 per hundred to produce hogs. A deluge of immature hogs and cattle were dumped on markets as a consequence of this interview. The continuance of the conspiracy is further shown by part of the following letter signed by the Cudahy Packing Co. by F. E. Wilhelm, which was read into the record at the hearing before the Federal Trade Commission in the packers' investigation at Chicago March 1, 1918:

JANUARY 18, 1918.

MR. W. DEISING,

Care of the Cudahy Packing Co.,

South Side Station, Omaha, Nebr.

DEAR SIR: Yesterday we had quite a meeting in Dr. Durand's office. The reservation committee meeting was postponed, and this meeting was to discuss their allotments. Those attending were Messrs. Meeker and White, of Meeker & Co.; Messrs. Hyman and Lacey, of Morris & Co.; Mr. Peterson, of Peterson & Co.; Messrs. Edward F. Swift, Charles H. Swift, and Carr, of Swift & Carr; Messrs. Shepard and Wilhelm, of the Cudahy Packing Co.

Dr. Durand said that this thing would have to be handled in some way to advance the cattle market; that that was the thing that absolutely had to come about, and if it did he would take drastic measures to prevent it. In instance, he indicated that if it required 10 per cent or even a higher percentage of your purchases to take care of this export business you were

Mr. LASATER. No, no.

Senator NORRIS. No.

Mr. LASATER. When he turns to the producers, discussing our end of the business.

The CHAIRMAN. The packers' side of it?

Mr. LASATER. But he used the phrase "a lead-pipe cinch," referring to us.

Senator NORRIS. The packers should have from 9 to 15 per cent, but the producer must be patriotic?

Mr. LASATER. I want to mention now that when you go into it and ascertain the amount of borrowed money the packer has, and the profit he is allowed to make on that, you will find he is given 13 to 19 per cent return on his capital stock.

Senator NORRIS. And it is evident from Mr. Cotton's own statement that they got more than that?

The CHAIRMAN. The self-denial was that the packers were expected to cut down their profits from whatever it might be to the 13 and 19 per cent?

Mr. LASATER. Yes; any self-denial that they had practiced. But he was at that time when he said "practicing self-denial was in order" applying that to the live-stock producers of the country and not to the packers.

On being reminded that the feeders of live stock were the largest users of credit in proportion to capital of any basic industry, and being asked if he did not think it a national concern that their credit be sustained, he answered, "In a broad way; yes." Then, on being asked if he considered cost of production so that when he priced the packers products he might know that after the packer got his 9 to 15 per cent profit there would be enough left to reflect back to the producer his cost plus a reasonable profit, he replied, "No; I only look at what the packer pays."

On January 15 he told the members of the American National Live Stock Association, in convention at Salt Lake City, that he would attempt to maintain the beef market at its "present levels."

At present levels. That was at an earlier time if you recall.

The CHAIRMAN. Was that beef he was talking about?

Mr. LASATER. He was then at that time talking about the market for live cattle.

The reversal of the Food Administration's announced policy of cost plus a reasonable profit to producers of live stock, as above mentioned, took place after a three months' campaign by them, which included August, September, October, 1917, for increased meat production and after approximately 800,000 more stockers and feeders had been taken back to the country from the market centers in 1917 than in 1916.

The bias of Mr. Hoover's mind is shown by the licensing of the various interest such as the "milling interests," "canning interests," "creamery interests," "milk-condensery interests," "sugar-refining interests," "Chicago packing interests," and leaving them without any supervision that protects the Nation's producers from exploitation, the licensing has affected the cost of living to the consumer in but a negligible amount. In most instances the licensed industry is supervised by men wholly in sympathy with said industry, as evi-

denced by the appointment of J. P. Cotton and E. Dana Durand to supervise the Chicago packing industry.

Lack of honest publicity, affecting the food and feed supply of the country, that would be to the interest of both producer and consumer and inimicable to the exploiting interests.

It is too long for me to go into detail by the simple repeating of food statistics given out by Mr. Hoover as to the food situation last fall. I will make this allusion casually to the cottonseed-cake situation. Cottonseed cake advanced last year, we will say, from about \$37 a ton, 1916 market, up to about the 1st of November, 1917, to \$60 a ton. When I reached Washington after an absence of two weeks, on about the 7th of November, the feed situation in Texas and all through the drought country was most acute. The market had advanced in the previous 10 days about \$10 a ton, and you could not get deliveries on stuff. I took the matter up at once with the Food Administration on my return, and since leaving Washington, two weeks prior to this time, a Mr. Humphries had been put in charge of the cottonseed division of the feed division of the Food Administration. That division was under the charge of Mark L. Requa, first assistant to Mr. Hoover. I believe that Mr. Cotton is in charge of that as well as the meat division now.

The CHAIRMAN. Is Mr. Requa a producer?

Mr. LASATER. Mr. Requa is a mining engineer, and is not now connected with the Food Administration, but is in the Fuel Administration, in charge of the oil department. But up to, we will say, about December he was connected with the Food Administration as Mr. Hoover's first assistant.

I took it up with Mr. Humphries and explained the situation to him, and he advised me that he was in touch with the situation, and had already thought out plans by which he thought he would be able to cut some of the speculation out of cottonseed products. The following day he submitted to me a telegram that was signed by Mr. Hoover, addressed to Mr. W. S. Peden, food administrator of Texas, in which he instructed Mr. Peden to seize and sell certain stocks of cottonseed cake at Galveston, Tex., and Port Arthur, Tex.; and he asked me if I thought I could sell this cake to the live-stock interests. I told him that I knew I could. He asked me to take the necessary steps to bring that about. So I wrote several telegrams to Texas parties asking them to concentrate their orders for cottonseed products on the food administrator at Houston, Mr. Peden. I sent the telegrams up to the telegraph office. About 2 o'clock Mr. Humphries came into my office again and stated that he had been instructed to change the program; that at this time this cake would not be seized; and he requested me to modify my telegrams to conform to the change of plans. I stated to Mr. Humphries that I would not do it, and that I would not send another telegram, as connected with the Food Administration, but that I would tender my resignation at once to Mr. Hoover; and I did.

That same evening Mr. McCarthy was started for Houston, Tex. Mr. Hoover wired Mr. Pryor, president of the American National Live Stock Association, to have a bunch of representative cattlemen meet with the cottonseed crushers in Houston at a stated date. Mr. McCarthy was there authorized to represent the Food Administra-

tion. The crushers and the cattlemen, backed by Mr. McCarthy, came to an understanding, Mr. McCarthy representing the Food Administration, that the cottonseed cake, 43 per cent protein, should be reduced from \$60, at which it was selling at that time, to \$53.50 at the mill, sacked. That is the price that has obtained throughout the season.

I will state that after I learned that as far as the meat situation was concerned I could have no influence, I did have some hopes of having some effect on the feed situation, and that was the inducement for me to come back to the Food Administration after leaving October 20, but when I saw that the "buck" was simply passed to Houston and from Houston back to Washington, as it had been for months, I made up my mind that the only way to get action would be to quit and make the situation known to the producing interests.

The speculation injected into the cottonseed cake situation affected seriously the cost of production for both meat and dairy products. The Food Administration had been assuring the dairy interests of cheaper feed supplies when the new crops began to move. That brought about, as I tell you, just the procedure I have related here, and that did keep cake from going any higher and reduced it from \$60 to a basis of \$53.50. I will state here that the regulations of the Food Administration only permit mills to accumulate a supply for 60 days. At that date, November 1, Swift & Co. had a 10 months supply for their mills. If they were forced to disgorge any of it I am not advised of that fact.

Senator NORRIS. What kind of mills?

Mr. LASATER. Cottonseed mills.

Senator NORRIS. Are the packers in the cottonseed business?

Mr. LASATER. Very largely.

The CHAIRMAN. Are they in the canning business?

Mr. LASATER. Very largely; yes, sir.

The CHAIRMAN. Are they in the banking business?

Mr. LASATER. Very largely.

The CHAIRMAN. When they loan themselves money at 5 per cent and the packers realize 4 per cent, do they, as bankers, realize part of the 5 per cent?

Mr. LASATER. They have a better scheme than that, sir. They are now loaning it at 6 per cent or better, and then they charge everything above 5 per cent to expenses; so they get a whack at it twice.

The CHAIRMAN. What sort of "cinch" were we discussing a while ago? [Laughter.]

Mr. LASATER. A "lead pipe cinch," as Mr. Cotton puts it.

It is human nature to follow the man that proves himself a man of knowledge. Mr. Hoover has shown himself ignorant of the fundamentals of economic food production. Witness his campaign "Eat no veal, eat no lamb." Such a policy made effective would be as disastrous to the dairy interests as to the meat-producing interests, largely increasing cost of production of both dairy and animal food products.

The CHAIRMAN. Wait a minute. You say that because a great percentage of the veal comes from the male dairy calves?

Mr. LASATER. A large percentage comes from the male calves, but also from a great many female calves that you could not afford to carry on to maturity. They have not the breeding that would justify

behind during the past year because of economic conditions adverse to the hog producer. This next year we will have a corn and feed crop in the country in excess of the animals to be fed, and in consequence we should have moderate or even low prices for corn and other feeding stuffs.

On the other hand, we will have high prices for animal products, and in face of this national situation it must be my duty to exert my every influence through expert buying and otherwise to maintain prices that will remunerate the producer and stimulate production. So far as I can see, the conversion of corn and other feeding stuffs into animals is the only method of marketing our large feed crops, and must be to the producers' interest. This interest extends beyond this, however, for unless we secure a rapid increase in production of fats we will need, in order to protect our domestic supply, to restrict the exports to our allies. This is indeed a dangerous course, for they are our first line of defense and must be fed, and, again, is a matter of common humanity, for fats are critical to human life. I am, therefore, depending upon the farmers of our corn States to support the vital issues of the war by putting more weight on their present hogs, and to increase the herd in every direction.

Now, as has been testified here, since this investigation started they have had an improvement in the market price of hogs, cattle, and sheep—a most material improvement.

The CHAIRMAN. Since this hearing began?

Mr. LASATER. Since this hearing began. But up to that time, as shown by the different people who have testified before this committee, heavy hogs were discriminated against.

The CHAIRMAN. And so were heavy cattle.

Mr. LASATER. Decidedly so. But this he specially requested, and both Mr. Pinchot and myself emphasized this to the audiences we addressed. Mr. Pinchot has the memorandum in Mr. Hoover's own handwriting giving us our instructions on that. This telegram continues:

While I willingly pledge myself to leave no stone unturned to maintain profitable return, I do not feel that Iowa needs more than the suggestion that this is a prime service in the war and that every farmer should take up the national burden with the zeal that my native State has shown in every national cause. It is up to Iowa to lead.

HERBERT HOOVER.

Senator NORRIS. Would it disconcert you to ask you some questions about what you did?

Mr. LASATER. Not at all.

Senator NORRIS. You and—Mr. Gifford Pinchot, was it, that accompanied you?

Mr. LASATER. Yes, sir.

Senator NORRIS. Went out to Iowa under his instructions?

Mr. LASATER. Yes, sir.

Senator NORRIS. That was when you were connected with the Food Administration?

Mr. LASATER. Yes, sir.

Senator NORRIS. What did you do out there?

Mr. LASATER. We both went first—Mr. Pinchot went over to Des Moines, Iowa.

Senator NORRIS. You made speeches around over the State?

Mr. LASATER. We made speeches at Waterloo, Iowa, at Omaha, Nebr., and Kansas City, Mo. We had meetings of the hog growers of that entire territory.

Senator NORRIS. And you told them what Mr. Hoover outlined in that telegram?

Mr. LASATER. Practically what is stated in that telegram; yes, sir. We emphasized that to the best of our ability.

Senator NORRIS. You tried to get them to put more meat on the hogs, to make the hog bigger?

Mr. LASATER. We did.

The CHAIRMAN. And succeeded?

Mr. LASATER. We did succeed; yes, sir.

Senator NORRIS. These meetings you addressed were attended by men who produced hogs?

Mr. LASATER. Yes, sir.

Senator NORRIS. The stockmen of the country?

Mr. LASATER. Yes, sir.

Senator NORRIS. Were your speeches given circulation over the country through the newspapers?

Mr. LASATER. Yes; they were.

Senator NORRIS. And you came back to Washington?

Mr. LASATER. I came back directly from Waterloo. I addressed two meetings there, one of just hog producers, and another one out at the fair grounds.

Senator NORRIS. They knew you represented Mr. Hoover?

Mr. LASATER. They did. I addressed a conference there at the fair grounds of probably 2,000 people.

Senator NORRIS. And you reported to Mr. Hoover when you came back?

Mr. LASATER. We did.

Senator NORRIS. You told him what you had done?

Mr. LASATER. We did.

Senator NORRIS. Did you receive his approval then?

Mr. LASATER. We did not; he had changed his mind when we got back.

Senator NORRIS. Are you going into that?

Mr. LASATER. I did not intend to go into that just now.

Senator NORRIS. I do not want to interfere with what you have in mind, but I did not want to pass that matter.

The CHAIRMAN. I would like to ask you one question in that connection. Did you go back over the ground and tell them that Mr. Hoover had changed his mind?

Mr. LASATER. No, sir.

Senator GRONNA. Mr. Chairman, may I ask just one question? What was the result to the farmers as to finishing their heavy hogs?

Mr. LASATER. There has been a decided loss in making the hogs heavier. There is no question about that.

Senator GRONNA. Is it not a fact that the farmer was paid a lower price?

Mr. LASATER. Yes, sir; 20 cents, and in some instances more. Instead of receiving, as we outlined to the farmer he would receive, a bonus for making the hogs heavier, he was discriminated against and they were taken at a lower price.

The CHAIRMAN. I think you heard the statement by Mr. Cotton in which he admitted that the farmer was paid 20 cents less for a heavy hog than for a medium-sized hog?

Mr. LASATER. Yes, sir; that was a fact. Quoting from an editorial in Wallace's Farmer, of March 15:

For some cash lard, pork, and ribs have been selling at prices which justify the packers in paying \$18.50 to \$20 per hundredweight for hogs. The packers have been buying their hogs at about \$16.25, however, and consequently have been making an excess profit of several dollars per hundred on all hogs bought.

Third; conspiracy to break the cattle market to point below the cost of production.

This is shown by the statement of an allied buyer to Messrs. Pinchot and Lasater on about October 1, that—

Mr. Hoover had requested him to stay out of the beef market for some days, assigning as a reason that he, Mr. Hoover, thought that the beef market would go cheaper.

It is evidenced by the Dana Durand interview appearing in the Chicago Journal of October 6. Mr. Durand is second to Mr. Cotton in the meat division of the United States Food Administration. This interview in question is in part as follows:

[Chicago Journal, Saturday, Oct. 6, 1917.]

TEN-DOLLAR AMERICAN HOG IS SOUGHT.

E. Dana Durand, who was Director of the Census under President Taft, is working in Chicago for Herbert C. Hoover on a job which he admits is harder than taking the census. He is trying to figure out a way to bring \$10 hogs again into being in America.

To accomplish this without resorting to maximum price fixing or interfering with the operation of the law of supply and demand a scientific scheme of market control is worked out. Instead of being under the direction of the packers it is to be directed by the Government; to bring the hogs to market in a steady stream instead of an alternate surplus and scarcity is part of the problem. To regulate the price of corn is another equally important move.

TEN TO ONE IN HOG-CORN RATIO.

Ten-dollar hogs and \$1 corn is the ratio which is accepted as the one which ought to prevail and which, if it can be restored to the American live-stock market, will mean more toward the happiness of the world than was ever even promised for the magic formula of "Sixteen to one."

At this date—October 6, 1917—it was costing the producers more than \$18 per hundred to produce hogs. A deluge of immature hogs and cattle were dumped on markets as a consequence of this interview. The continuance of the conspiracy is further shown by part of the following letter signed by the Cudahy Packing Co. by F. E. Wilhelm, which was read into the record at the hearing before the Federal Trade Commission in the packers' investigation at Chicago March 1, 1918:

JANUARY 18, 1918.

Mr. W. DEISING,
Care of the Cudahy Packing Co.,
South Side Station, Omaha, Nebr.

DEAR SIR: Yesterday we had quite a meeting in Dr. Durand's office. The conservation committee meeting was postponed, and this meeting was to discuss further allotments. Those attending were Messrs. Meeker and White, of Armour & Co.; Messrs. Hyman and Lacey, of Morris & Co.; Mr. Peterson, of Wilson & Co.; Messrs. Edward F. Swift, Charles H. Swift, and Carr, of Swift & Co.; Messrs. Shepard and Wilhelm, of the Cudahy Packing Co.

Mr. Durand said that this thing would have to be handled in some way to avoid advancing the cattle market; that that was the thing that absolutely must not come about, and if it did he would take drastic measures to prevent it; for instance, he indicated that if it required 10 per cent or even a higher percentage of your purchases to take care of this export business you were

going to be correspondingly short in your branches. This would have a tendency to raise the beef market—which we all admitted—and that in turn the live-stock market. We all agreed that we would see that we did not pay any more for live stock.

This is further shown by a letter from Mr. Hoover to Mr. Lasater under date of December 4, which in part says:

If you resigned because we stopped meat exports during a short period of acute shortage to our own customers, you now witness a large increase of exports to the allies as the complement of our conservation policy and our desire to support the cattle industry.

This statement from Mr. Hoover confirms the statement made by the allied buyer to Messrs. Pinchot and Lasater previously mentioned. But the Bureau of Markets of the United States Department of Agriculture, monthly report, shows that there was marketed during September, October, and November, 1917, more than 1,500,000 cattle than were marketed during the same months of 1916 and on December 1, 1917, the surplus of beef in cold storage had increased over the same date for 1916 57 per cent, which plainly shows that the "acute shortage" claimed could not have existed. The report of the Bureau of Markets of January 1, 1918, shows 308,675,029 pounds of frozen beef in storage; the report of February 1, 1918, shows 283,671,955 pounds in storage.

The records of the Food Administration show that there was no diminution in consumption of meat for the Nation as a whole during 1917 compared with 1916. The Food Administration, cooperating with the packers, did succeed in breaking the market for beef cattle from September 1 to December 1 about \$4 per hundred. The losses from December 1 to March 6, 1918, average more than \$20 per head on steers marketed.

In that connection I want to read, from the report of the packer investigation, a letter from the files of the Cudahy Packing Co., at Omaha. The object in reading that is to show that certainly the packers are not anticipating that any limit will be put on them as to profits.

Senator GRONNA. What investigation do you refer to?

Mr. LASATER. The investigation by the Federal Trade Commission.

The CHAIRMAN. What is the date of this?

Mr. LASATER. The date is not given here, sir; but it was January 17 or 18, I think. It was early in January. [Reading:]

THE CUDAHY PACKING CO.,
South Side Station,
Chicago, Ill.

United States Food Administration License No. G30318.

Mr. W. DIESING,

Care of The Cudahy Packing Co.,
Omaha, Nebr.

DEAR SIR: Yesterday Mr. Shepard attended a meeting of the packers with Mr. Cotton, and nothing was said about beef.

He says that the other day Mr. Cotton spoke to the five big packers in a very confidential manner, saying that he didn't want this known to the others at all, but that the industrial situation in the Argentine was very much upset, and that freight handlers, employees and all of the packing houses were virtually out on strike and on that account the allied commission would be buying a large quantity of beef for the English mission.

Now, neither Mr. Durand nor Mr. Cotton stated that as the reason for that English order for beef. Mr. Cotton stated it was to relieve

Senator NORRIS. You felt that the Food Administration was using you as an instrumentality to practice some deception on the producers of hogs?

Mr. LASATER. There was no question about that, and there was no question but that the Food Administration was using me, certainly as far as cattle were concerned, to get all the cattle possible in the feed pen, and I realized by that time that the Food Administration had practically adopted, as far as the producer and the packer were concerned, the packer's side of the question. That was perfectly evident to me, and I could not escape that conclusion. The packer's viewpoint, as demonstrated by his actions for years, can not be to the Nation's interest.

Senator NORRIS. The situation, reduced to a nutshell, was that you resigned because you felt that the Food Administration had taken the packer's view, and was protecting the packer but not the producer?

Mr. LASATER. Yes; and I would state it even broader than that, Senator Norris.

Senator NORRIS. State it.

Mr. LASATER. I resigned because I was convinced that Mr. Hoover had converted the Food Administration, which was created to eliminate exploitation as between the producer and the consumer, as a means of really taxing the producers of the country.

Senator NORRIS. And not benefiting the consumer?

Mr. LASATER. Hardly in the slightest benefiting the consumers of the country. The milk situation is as bad or worse than the beef condition. I would like just a few minutes on that, Mr. Chairman, if you will permit me.

The CHAIRMAN. Yes, sir. But, before you pass to the milk situation, has Mr. Hoover got representatives of the packing houses connected with the Food Administration?

Mr. LASATER. Yes; representatives of the packers.

The CHAIRMAN. Do you know who they are, or anything about them? If not, you need not go into it.

Mr. LASATER. Some of them I do. I do not know all of them, but I do know some of them. H. B. Collins, assistant chief of the division of coordination of purchases for Mr. Hoover, salary from Swift & Co., \$10,000 a year, pay collected to March 2, 1918. This was put into the record in Chicago at a recent date. It is the Federal Trade Commission's report. I think it was about the 1st of this month, although I have forgotten the exact date. There is also E. O. Heyl, member of Hoover board, on Libby, McNeil & Libby pay roll at \$9,600 a year; pay collected to February 16, 1918.

The CHAIRMAN. Is Libbey, McNeill & Libbey a subsidiary?

Mr. LASATER. It is a subsidiary of Swift & Co.

Right there, gentlemen—

Senator NORRIS (interposing). Are there any more?

Mr. LASATER. Oh, yes; F. S. Brooks, member of Hoover board, formerly in charge of stock-yards interests of Swift & Co., on pay roll at \$9,000 a year.

Senator NORRIS. What pay roll?

Mr. LASATER. The pay roll of Swift & Co.

The CHAIRMAN. What do they get from the Government?

Mr. LASATER. I do not know, sir. I think he is probably a dollar-a-year man.

The CHAIRMAN. That is a new brand?

Mr. LASATER. I was one of the dollar-a-year men also, Senator. W. F. Priebe, head of the poultry and egg division, Hoover food board; on Priebe & Co., pay roll at \$275 a month plus 25 per cent of profits after 7 per cent is paid on capital invested. This W. F. Priebe & Co. is a subsidiary of Swift & Co.; they own 100 per cent of the stock, as I understand it.

The CHAIRMAN. Seven per cent seems to have been the prevailing rate of profit before this new arrangement?

Mr. LASATER. Yes, sir. I will state that Mr. Brooks I have known for many years.

The CHAIRMAN. Is he the man who laid the embargo on hens?

Mr. LASATER. No; Mr. Priebe laid the embargo on hens, and he is the man who caused the unloading of the 1916 pack of poultry, and it was done in such a way that practically a very large per cent of this stuff had to be sold to the big packers; they had the only cooling establishments where it could be transferred, and they bought it.

The CHAIRMAN. Bought what? I do not catch the point.

Mr. LASATER. Bought the pack of 1916 that was in stock.

The CHAIRMAN. Who bought it?

Mr. LASATER. The large packers.

The CHAIRMAN. Bought it from whom?

Mr. LASATER. From the smaller packers, who were holding a large part of this stock.

The CHAIRMAN. I had a letter from a farmer—of course, it may be just a matter of suspicion—stating that he thought this embargo on the sale of hens is intended to have the effect of allowing the storage people to unload their stocks as they had no competition.

Mr. LASATER. I have had this other view. I want to state that I am not a poultry man. But it has been the custom for years to market for a certain Jewish feast—is not that feast just passed behind us now?

The CHAIRMAN. There is one around Easter.

Mr. LASATER. There is a large demand for poultry for that purpose, and these hens are fatted for that particular Passover feast.

When you prohibit the slaughter of these hens for that purpose—you know an old fatted hen does not lay; she has passed the period of usefulness. That forced these farmers to carry these hens beyond the time of the usual marketing, which, under the very high cost of feed, is considerable; and then the packer gets them at about 50 per cent of what they would bring now, for this particular demand, if carried over to the 1st of April, after that demand has passed.

Senator NORRIS (interposing). Do you mean by that, when the market for hens is destroyed, that the packer can buy them at his own price, because he has storage facilities to keep them; is that the point?

Mr. LASATER. For instance, take the independent packer; he uses the public storages. This stuff had to be moved out of the public storages, as I understand it, according to the order issued by the Food Administration. Then, the packer, who, we will say, has his

cold storage in all the consuming centers of the country where he can carry one or two cars of this kind of product, are the only people in position to handle this—that is, the big packers.

Senator NORRIS. To buy it?

Mr. LASATER. To buy it; and they distributed it around in their various cold storages. They do not use the public cold-storage houses, you understand.

The CHAIRMAN. They have private ones?

Mr. LASATER. They have private ones; and so, practically they bought the 1916 pack, which, I understand, is just as good for six months longer, at a reduced price, in that way.

Senator NORRIS. What I am trying to get at is: The market was destroyed when this hen order was issued?

Mr. LASATER. Yes.

Senator NORRIS. And the people were not buying chickens? Is it the idea that people had their hens all ready for fattening and then were unable to market them?

Mr. LASATER. They could not sell them to the market.

Senator NORRIS. Would have to sell to the packers?

Mr. LASATER. They did not sell them at all; they are still carrying them over, my understanding is, till the 1st of April.

The CHAIRMAN. I think it was the 15th of April.

Mr. LASATER. I am advised it was the 1st of May.

Senator NORRIS. Where did the packers make anything out of that hen order, then?

Mr. LASATER. Here is where I understand lies the complaint the country had: These hens ought to have been marketed, we will say, several weeks ago. They are forced to carry them over. The difference between poultry prices, we will say, in May and what they were at the time this order went into effect, is probably anywhere from 10 to 15 cents a pound; so they practically will have a chance to put into storage these hens at lower prices.

Senator NORRIS. Later on?

Mr. LASATER. Later on.

The CHAIRMAN. And in the meantime get rid of what he had in storage during the time the live stuff is not coming into the market?

Senator NORRIS. He can not sell this in storage for any higher price and can not eat them?

Mr. LASATER. He can eat those in storage.

Senator NORRIS. He can?

Mr. LASATER. Yes; I think so; but he can not eat the fresh poultry.

Senator NORRIS. Before you forget it, did you get through with those names? I want to have all of those names in the record together.

Mr. LASATER. I want to read something in regard to Mr. Heyl.

Senator NORRIS. You were reading the names?

Mr. LASATER. I read the bunch, sir.

Senator NORRIS. All I wanted to know was whether you were through with them?

Mr. LASATER. All that I know of.

In regard to Mr. Heyl, I would like to read this; it will give you a line on him. He is the man I read about as being on the Libby, McNeill & Libby pay roll at \$9,600 a year, and being paid to February 16, 1918.

The CHAIRMAN. He has quit, has he?

Mr. LASATER. I do not know. No; I think he is still connected with the Food Administration; that is my understanding, but that he would not be on the pay roll of Swift & Co. from now on.

The CHAIRMAN. Oh, I see. As I understood it, they were no longer to enjoy the benefit of him.

Mr. LASATER. I want to read part of a letter to Mr. Heyl, who at that time was with the committee on supplies, advisory commission, Council of National Defense. This letter is signed by Admiral McGowan, Paymaster General of the Navy. I will only read a small part of it, as it is a long letter. It is dated July 31; that is shortly after his coming to Washington last summer. You see, he went from this position to the Food Administration:

Why should the red meats be so carefully conserved when poultry is so plentiful?

Is it not in fact because there is, as you say, something like five times as much poultry in storage now than there was a year ago; and is not this big oversupply on hand because these same poultry dealers have run the price up so high that it was beyond the average man's purchasing power?

Will not this surplus of poultry disappear just as soon as its price gets down anywhere near what it ought to be, or, stated differently, was it not an expectation of the unearned increment on poultry rather than an overdemand for red meats that caused this very large surplus to accumulate?

In so far as the comparative prices are concerned, I have not been able to find where at the present time poultry is cheaper on the average than red meats. Surely, it is a law of supply and demand that poultry will be very soon much lower than it is now if there is such a surplus held in storage, because, unless I am misinformed, there is a legal time limit on how long anybody can keep poultry frozen, and, unless I miss my guess, it is much more the time limit than any possible idea of conserving red meats that has caused these poultry people to try to get you to get me to change the Navy regulations.

As I shall presently endeavor to make plain, I am not prepared to admit that bearing down hard on one kind of meats and easing up on certain others constitutes conservation in fact; but I do say that all our poultry friends need to do is simply to offer their stock for something like the price at which it was held before this surplus began to accumulate and then they will see the alleged disparity between the visible supply of poultry and red meats will promptly disappear, because the average American citizen can then afford to eat poultry, which, obviously, he can not do now.

(Thereupon, at 12.30 o'clock p. m., the committee took a recess until 1.45 o'clock this afternoon.)

AFTER RECESS.

The committee met pursuant to the taking of recess.

STATEMENT OF MR. E. C. LASATER—Resumed.

Mr. LASATER. Mr. Chairman, I read to you that letter from Admiral McGowan to show that very promptly after Mr. Heyl got to Washington he was endeavoring to serve the packing interests. That was my object in reading that. I want to read one more paragraph from that letter.

Senator PAGE. Who is this you are speaking of?

Mr. LASATER. Mr. Heyl, now with the Food Administration. He was at that time with the committee of supplies, of the Advisory Commission, Council of National Defense.

Senator PAGE. And you raise the question of his sincerity in his actions?

Mr. LASATER. I do; yes, sir.

The CHAIRMAN. Was he formerly with one of the packing houses?

Mr. LASATER. With Swift & Co. [Reading:]

In so far as pertains to the possibility of changing the Navy Regulations so as to make a market for the surplus poultry I certainly will do no such thing, unless, of course, so directed by competent authority. The Navy ration has been established along entirely different lines and can not, in my opinion, be suddenly changed on any such grounds.

That is a very long letter; and while it is worth while, I will not stop to read it now.

The CHAIRMAN. Will you append it as an exhibit to your statement?

Mr. LASATER. Yes, sir.

(The letter referred to is printed in full following Mr. Lasater's statement.)

Mr. LASATER. I want to read here a brief statement made by Mr. Hoover before the Committee on Agriculture of the House of Representatives recently, February 11. I read this that you may apply it to what has been shown here before this committee by Mr. Cotton's testimony, by Mr. Durand's testimony, and other testimony that this committee has heard [reading]:

Mr. HAUGEN. In connection with the question asked by Mr. Young as to the fixing of prices what was done about fixing the prices of meats?

Mr. HOOVER. Nothing. There has been no price fixed in the meats in any form, with a partial exception, and that is that we assembled a representative committee of hog producers and asked them what sort of a minimum basis for hogs, assuming that we could effect some sort of a minimum guaranty or assurance, would stimulate production. The fat supplies of the Nation are just as vital as the breadstuff supply. That committee recommended to us that if we could maintain a minimum of \$15.50 at Chicago on hogs, that such a minimum would stimulate production. We replied to the hog-growing community as a whole that we would use the allied purchases of pork products, which represents 10 to 15 per cent of the total production, to maintain that minimum, so far as we could. We have done so with some difficulty, because the run of hogs in December and January is always larger and the price usually falls and rises to higher prices later.

That, if you recall the testimony that has been adduced here, is not a statement of the fact. No committee of producers recommended a minimum of \$15.50 on hogs. The committee did suggest a minimum of \$16 per 100 pounds for hogs. As a matter of fact, what the Food Administration did was this: They made that a basis price. The hog producers asked for a price of \$16 as a minimum, and also that the price on hogs be correlated to corn on the basis of 100 pounds of hog to 14 bushels of corn to get the 15 per cent increased production that the Food Administration was asking the country for.

Senator PAGE. That would mean \$21 or \$22, would it not?

Mr. LASATER. If corn is a dollar a bushel, it would mean \$14.

Senator PAGE. I mean on the basis of present prices.

Mr. LASATER. On the basis of present prices it would. I am sorry you were not here, Senator, when I referred to this before, but the recommendation of the hog committee appointed by Mr. Hoover shows that the recommendation of the mass meeting of hog producers was most conservative. This committee of experts was ap-

pointed by Mr. Hoover to devise different ratios to bring about certain results, and this, briefly, is their report:

This (11.67) represents the average of 10 years' figures, same being computed on the composite value of the corn consumed in the 12 months previous to the marketing of the hogs.

Senator PAGE. That is 11.67 to 100 pounds—

Mr. LASATER. That is 11.67 bushels of corn to 100 pounds of hog. In other words, they were trying to correlate the price of hog to the price of corn. That is what this commission found. [Continuing reading:]

This ratio (11.99) represents approximate production costs.

That is, over a series of 10 years it had cost the country 11.99 bushels of corn to produce 100 pounds of pork. [Continuing reading:]

This (13.31) represents ratio necessary to bring production back to normal.

The CHAIRMAN. It was thought to be below normal at that time?

Mr. LASATER. It was thought to be below normal, so they recommended a ratio of 13.31 bushels to bring it back to normal. [Continuing reading:]

This (14.31) represents the ratio necessary to increase production 15 per cent above normal.

That is what the Food Administration advised the producers would be needed to furnish the country's needs.

This meeting of swine growers, that has been mentioned several times before this committee, recommended a ratio of 14 to 1. To get this increase of 15 per cent this expert commission appointed by the Food Administration recommended that the ratio be fixed at 14.31; that is, three-tenths of a bushel more than the swine producers in mass meeting had recommended.

Senator NORRIS. And that had been turned down, as I understand it?

Mr. LASATER. That had been turned down. I will say that Mr. Cotton later partly put into effect the recommendation of this commission. It was not put into effect until after the resignation of Mr. Pinchot from the Food Administration, who had been instrumental in attempting to get increased production from the hog growers of the country.

Here is another report that I will read from only briefly. This is a report of certain members of the live-stock industry committee made to Mr. Hoover when he had them come here to discuss the packers' licenses. I will just read a paragraph or two from it [reading]:

SEPTEMBER 18, 1917.

The undersigned members of the live-stock industry committee, having been called to the office of the Food Administration and having been asked to consider the suggested terms for licensing the packers and to present a constructive program for stimulating live-stock production, beg to submit the following:

We assume that the purpose of the Food Administration in licensing the packers is to enable the Government to exercise a direct influence on the prices paid the producer for the live stock and the prices paid by the consumer for animal products, to the end that both may be protected so far as practicable under existing war conditions, and that in the purchase and slaughter of live stock and the distribution and sale of meats and animal products the packers may not make unreasonable profits. The license arrangement, therefore, must

be such as will give both producers and consumers assurance that the control by the Government is actual and not merely perfunctory. Rules governing it should provide:

1. For a system of accounting with the individual plants which make it possible to determine their actual profits.

2. A system of uniform daily and periodical reports from all the plants which will show the amount and kinds of animal products on hand, the number, weight, the kinds of live stock slaughtered, the sales of meat and animal products; the prices paid for the live stock and the prices received for meats and animal products; the amounts received for by-products and their destination; and such other information as may be necessary to give comprehensive knowledge of the business. All such reports and information to be checked by the Government, and given to the public as nearly contemporaneously as possible with the transactions to which it relates.

We thought, and I still think, that the packing industry will never have supervision that means anything until those provisions are put into effect.

The CHAIRMAN. What is that you are reading from?

Mr. LASATER. The report made by this live-stock industry committee that Mr. Hoover appointed.

The CHAIRMAN. I suggest that that be attached to your statement.

(The report referred to is printed in full following Mr. Lasater's statement.)

Mr. LASATER. Mr. Wallace was acting as chairman of this committee. The Department of Agriculture and the Food Administration created what they termed the "live-stock industry committee," which met here the 5th, 6th, and 7th of September. From that committee was created a subcommittee of five, which Mr. Hoover called together to have them express their opinion on the packers' license system. This is the report and the recommendations of that committee on the proposed packers' license, none of which was adopted by the Food Administration.

I would like to touch briefly, Mr. Chairman, on the milk situation, with your permission. On October 20, 1917, Mr. Hoover stated to me that he had in hand a report from a certain commission he had appointed showing cost of milk production. He stated he did not deem it advisable to publish same, "because the costs shown justified the prices the producers were trying to obtain for their product."

The CHAIRMAN. I want to hear you on that, and then, briefly, on the "meatless" days.

Senator NORRIS. I should like to hear him also on the packers. Mr. Lasater has a good deal of knowledge on that subject.

Mr. LASATER. I would like to deal with this subject and read some letters that were read before the Federal Trade Commission, and then I shall be glad to answer any questions you may ask.

I have here a copy of a letter addressed to Mr. Herbert C. Hoover, United States Food Administrator, under date of November 21, 1917, by Milo D. Campbell, president of the National Milk Producers' Federation.

Senator PAGE. Before you continue, will you please state the purpose of reading that?

Mr. LASATER. The purpose is to show that the Food Administration has never at any time given the producer any consideration, but has at all times given consideration to the agency that handles the producers' products.

Senator PAGE. Whom do you especially represent here? Are you the official head of one of these organizations?

The CHAIRMAN. You were not here, Senator Page, when Mr. Lasater began. He is a large cattle grower from Texas.

Senator PAGE. Oh, you are personally a producer?

Mr. LASATER. I am a producer; yes, sir.

The CHAIRMAN. And he was associated with Mr. Hoover for a while.

Mr. LASATER. I was asked by Mr. Hoover in July to take the position of live-stock adviser to the Food Administration. I acted in that capacity for something like three months, and resigned.

Senator PAGE. I am sorry I had to interrupt you.

Mr. LASATER [reading]:

WASHINGTON, D. C., November 21, 1917.

Mr. HERBERT C. HOOVER,

United States Food Administrator, Washington, D. C.

SIR: On November 8 the following order was made by the War Trade Board, purporting to have been made at the request of the United States Food Administration:

"The War Trade Board, at the request of the United States Food Administration, on November 8, 1917, announcing the following additional regulation to govern the exportation of condensed milk:

"No license shall be granted for the export of condensed, canned, powdered, or other form of preserved milk, unless there shall have been filed with the Bureau of Exports a certificate of the manufacture stating that such milk has been sold directly to the exporter and for export purposes; or unless compliance shall be had with such other regulations as may be determined by the Food Administration.

"In order to secure a license, the exporting concern must procure from the manufacturers and file with the War Trade Board, a certificate setting forth that the milk was sold direct to the exporter and for export purposes, and that the raw milk from which the finished product was made was purchased at prices no higher than the prices paid by other buyers in the territory in which the milk manufacturer's plant is situated."

In other words, the producers of milk were put in such a position that they had to take whatever the condensories offered them for their product. The condensories were not authorized to sell for export purposes at any given price or any given profit. The ceiling was off, as far as that was concerned, but they had to certify that they had bought the milk at no higher price than was obtaining in the community in which they bought it. Largely, it was a non-competitive system. It practically put the condensories in a situation where they could price the milk and take it.

This argument is very full and very long, but it is pertinent to the point.

Senator GRONNA. May we have that printed in the record, Mr. Chairman?

The CHAIRMAN. Yes; I think it may be desirable.

(The letter referred to is printed in full following Mr. Lasater's statement.)

Senator PAGE. Your claim I understand to be that this order that you should pay no more than those who bought for condensing purposes—

Mr. LASATER. It had the effect, sir, that the producers of milk had to take whatever price the condensories made up their minds to allow them in their several communities.

Senator PAGE. You stood, then, on a par with them?

Mr. LASATER. No, sir; there was no attempt made to limit the profits made by the condensories. It did not react to the profit of the Government in any shape or to the producer.

Senator PAGE. But you were permitted to pay just as much as your competitors paid. Why did you need to pay more?

The CHAIRMAN. I do not think that is quite the point. The condensories were not allowed to pay for this milk which they condensed for export more than they paid for milk for domestic purposes.

Mr. LASATER. It would have this effect, Senator: These condensories have been built largely since this war started at various points throughout the country. They have been able to go in and buy on a competitive basis with various other institutions. Now, there have been certain commissioners appointed by the Food Administration to ascertain the cost of milk in various sections of the country. The idea of the milk producers—as you will see if you read these briefs—is that they feel, if they are to have a price fixed to them, that some agency of the Government should be the responsible party, and that that power should not be put in some private agency. That is what they asked for, that the Food Administration pass upon the prices they are to be paid and state what is an equitable price, and not tie their hands so that they have to sell at the price the party who handles their product may see fit, through collusion, to pay them.

Senator GRONNA. In other words, these men are able to pool and pay just an agreed price, which of course is a violation of the Sherman anti-trust law.

Mr. LASATER. Let me tell you what is taking place with the packers, with the millers, with the canners, and with the condensories. Even before the licenses were issued these various businesses were permitted to pool, by having what they termed a "representative" of the Food Administration, appointed to sit in with them. For instance, Mr. Harry Wheeler, United States food administrator for the State of Illinois, was appointed to sit in with the Chicago packers prior to the time of the license.

Senator GRONNA. If you will pardon me, I think this was very thoroughly explained by Senator Reed. It is exactly the same plan that was used in controlling wheat.

Mr. LASATER. Exactly the same.

Senator GRONNA. Mr. Barnes used this same method in controlling wheat through the license system. Most of us, I think, heard a portion of Mr. Barnes's speech read by Senator Reed, a speech which Mr. Barnes made in the city of Chicago. He was telling how he looked through the law to find some provision of the law whereby he could absolutely control a pooling system, and he found it in the license section. This, of course, is worked out under that same section.

Mr. LASATER. It applies to all the industries that are licensed.

Senator PAGE. Do you claim this has resulted in reducing the price the farmer receives for his milk?

Mr. LASATER. Yes, sir.

Senator PAGE. And that is the main point to which you are addressing yourself now?

Mr. LASATER. That is the main point; yes.

The CHAIRMAN. That happened in the vicinity of Chicago to such an extent that they butchered a great many of their dairy cattle.

Mr. LASATER. They have done that; yes.

Senator GRONNA. May I make just one comment, in reply to Senator Page's statement? There has been no price fixed by the Government or by the Food Administration guaranteeing the milk producers any price. I think we must all concede that is treating the milk producers even worse than the wheat producers, because it leaves it absolutely in the hands of these men who are to buy this particular product with no minimum whatever. You might just as well tell them to fix an arbitrary price.

Mr. LASATER. That is exactly what it amounts to.

Now, I would like to read this letter addressed to Mr. Herbert Hoover, United States Food Administrator, from Milo D. Campbell, president of the National Milk Producers' Federation.

Senator PAGE. This is his complaint to Mr. Hoover, that the milk producers are not receiving justice?

Mr. LASATER. Yes. This is on a different phase of it. This is under date of February 21, 1918 [reading]:

To Mr. HERBERT HOOVER,

United States Food Administrator.

SIR: I am just in receipt of a copy of the new regulations governing licensees manufacturing bakery products.

I have been examining with reference to the use of milk, and find rules to be more liberal in permitting "the use of milk in any form or in any quantity."

I want to express my appreciation of this, both personally and in behalf of milk producers, whose market is thereby widened to some extent.

Rule 8, however, contains one condition that I am unable to understand and which I beg to have some of your advised appointees, having charge of the matter, explain.

I have had no word, letter, or communication bearing upon the same, and my construction of the limitation imposed may not be warranted. The rule reads as follows:

"The licensee in making bread or rolls may use milk therein, in any form or in any quantity, except as the amount of added sugar is limited by rule 4, provided that the price at which he sells such bread or rolls is no greater than the price at which he sells bread or rolls made without milk.

"The licensee shall not label, advertise, or sell any bread, or milk, or cream bread, nor shall he advertise that any bread contains milk or cream."

I have italicized the portion of the rule that mystifies me.

It seems so contradictory to all precedents in our food and drug laws, to all preconceived notions that we have had as to open dealing with the public, that I can not understand the restriction which prohibits the baker from telling the public the contents of the loaf he is selling, so long as it complies strictly with the requirements of the Food Administration.

In the State of Michigan the dairy and food commissioner is educating the public to the use of skim milk in bread making, as both a conservation measure and in the interest of better bread.

The commissioner says that 58 per cent of the whole milk of Michigan is used for butter making, and that after the butter fat has been removed more than half of the food value of the whole milk (the skim milk) is almost wholly wasted for human food by being used for hogs and calves. That sixteen times as much food value for the human being could be conserved by using the same in bread making.

That 118 pounds of skim milk could be used with a barrel of flour, or 0.416 pounds to a loaf of bread.

That this could be added to bread at an additional cost to the baker of but \$0.0043 per loaf, at the same time giving to the farmer \$1.65 per hundredweight for skim milk delivered at the bakery. That such bread would contain 70.7 more calories of food per pound than bread without the use of such milk.

The efforts of your administration have borne splendid fruit in the matter of food conservation, and it would seem, and I think without undue selfishness, that this by-product, skim milk, indorsed for its food value by every dietician and food scientist in the world, should be of sufficient value to warrant attention by encouraging its use and thereby preventing its present waste.

I fear that the hobbles placed upon the permission to use skim milk, or milk in other forms, will nullify the permission entirely. It will, of course, cost the baker, who uses milk in bread, more to make a pound loaf of bread with milk than with water. If he is to be prohibited from selling his loaf with the information that it contains milk, if he can not tell the truth about the product of his bakery, if he is to lose his license for giving to the public a better, more nutritious loaf than one made with water, if this condition is to prevail, I can not as yet see what advantage has come to the baker, the public, or to the consumer by this changed rule.

It seems to me upon the surface that the rule commits suicide and discriminates clearly against the farmer, who would be pleased with the added market for this surplus product.

There is no other such provision in the rules. So long as the baker follows the proportions with wheat and other flours in the amount of sugar used, etc., he is not restricted in his advertising or sales.

He may use as substitutes for wheat flour 27 other flours; he may use potatoes, nuts, seeds, spices, eggs, and is not prohibited from telling the public through advertising nor from selling his baked goods for just what they contain.

Perhaps the advocates of this seemingly discriminatory provision will be willing to advise me or set me right in the matter. I am very sure, Mr. Hoover, that this matter is either one that I am unable to comprehend, or that you have been unable to give your personal attention owing to the great burden of other matters you are carrying. I most reluctantly make these matters of seeming protest annoying to you, but it is the only way the milk producers can reach the department, and I have been asked to be as vigilant as possible.

I am wondering if the suggestion that some of these matters so vitally affecting the millions of milk producers of the country be submitted to the National Milk Producers' Federation for cursory examination before action would be feasible. We understand that the manufacturers and practically all other branches of industry affecting the food supply of the country are either represented or advised in advance. We are not complaining, but as yet are petitioning for like treatment, and at the same time promising loyal support both to you and the Government.

Very truly, yours,

MIL0 D. CAMPBELL,
President National Milk Producers' Federation.

MIAMI, FLA., February 21, 1918.

Senator PAGE. Has Mr. Hoover ever made any response or reply to that letter that would give you or this committee an idea as to the reasons for this order?

Mr. LASATER. If you will permit me, I will read his reply [reading] :

MARCH 4, 1918.

Mr. MILO D. CAMPBELL,

President National Milk Producers' Federation, Miami, Fla.

DEAR SIR: Your favor of February 21, referring to rule 7, class 1 of baking regulations recently issued, has been referred to the baking section for reply.

Before the regulations were finally adopted frequent consultations were held, not only with bakers but with the heads of our own milk, sugar, and fats divisions, with the result that the rules as originally drafted were considerably modified. This statement applies particularly to rule 8, which, in view of the strong presentation of facts by Judge Lamb, head of our milk division, in behalf of the milk producers, was made much more liberal than as first written. The baking section must, however, accept responsibility for the provisions contained in the rule concerning the price and advertising of bread containing milk.

As to the price of such bread, the bakers whom we consulted assured us, and produced figures to back their statements, that milk could be used in bread in satisfactory quantities without increasing its cost because of the larger loaf yield, due to the increased absorption quality of bread containing milk over that containing water alone.

In view of these statements and particularly because we felt it our duty to guard against any increase in the cost of bread the clause referred to was inserted.

The advertising of bread as milk or cream bread is forbidden because it has been the policy of the Food Administration from the start to secure as great uniformity and standardization in bread making as possible, and because it was feared that the placing upon the market of two kinds of bread, one a milk bread and one without milk, particularly at different prices, would result in their being classified in the popular mind as "rich man's bread" and "poor man's bread."

Such a result would at any time be undesirable, but particularly so now. We believe that the limitations mentioned will accomplish our object without unduly restricting the use of milk in bread making and trust that this will be found to be the result. The Food Administration is grateful for your offer of support and for the considerate spirit in which you voice your criticism.

Very truly, yours,

DUNCAN McDUFFIE,

Baking Section, United States Food Administration.

Permit me to read Mr. Campbell's reply to that [reading]:

MIAMI FLA., March 9, 1918.

UNITED STATES FOOD ADMINISTRATION,

Washington, D. C.

DEAR SIRS: I am in receipt of letter referring to use of milk in bread under date of March 4.

I regret very much that it did not contain the satisfying reasons for the conditional rule 6 which I had asked. If I read the communication right, it furnishes the full confirmation of my objections. My thought in writing you was to ask the following:

I. Conservation of skim milk because of its being a perishable product, a by-product, and largely being wasted as a human food.

II. Because its use makes a better bread, a more delicious bread, and adds greatly to its nutrition.

III. Because of its use wheat flour could be conserved to the extent of a like number of calories, and the higher purposes of the Food Administration exemplified.

IV. By allowing the baker to advertise or sell his bread honestly and in permitting him to tell the public just what kind of bread he was selling, the policy and spirit of all our food and drug laws would be followed.

V. That to make this one exception against public information as to use of milk in bread making was a discrimination not only against the baker who might want to use the same but against milk producers whose markets are being constantly cut off.

I am yet hopeful that this anomalous condition may be solved in some rational manner, and assure you that I am not raising the question above except to serve best all interests in this great Republic. I am aware of the interest that some of the great bakers have in crushing out all the smaller ones, and the ones who would give to the public better qualities at the same price. Is it not possible that the questions I have raised can be answered either with reasons for the conditions as to "secrecy" as to the use of milk or to allow the baker who uses milk the same rights of open and truthful advertising that it does every other baker in the use of other substitutes and ingredients?

I have had no conference with any baker or representative of baking, condensing, or other interests, nor any correspondence concerning the same, and am only writing because I feel that a great wrong is indirectly reflected upon the milk-producing farmers of the country.

Very truly, yours,

MILO D. CAMPBELL,

President National Milk Producers' Federation.

Senator PAGE. And you indorse fully what Mr. Campbell says in his reply?

Mr. LASATER. I do.

Senator PAGE. Will you please emphasize that now, with just a little elaboration?

Mr. LASATER. I do not think, sir, I could make it any stronger than Mr. Campbell does. He says that here is a product largely being used for animal foods that can be used in this way for human food. The

statements he makes in regard to the reports of scientists upon the value of skim milk as a food I know to be true. I have frequently seen the statement made and corroborated.

Senator PAGE. What occurred to me is this: Is there such a limited supply of milk that you would have to have two kinds of bread, and would having the two kinds of bread forced upon the public be injurious?

Mr. LASATER. No, sir; I do not think that would follow to any great extent. In the larger centers of population practically all the milk is consumed as whole milk. In the New York or Boston territory or around Chicago that might be the case. But away from the great centers of population milk is sold largely for butter making and you get your skim milk back, and through the use of that skim milk our population could command this more nutritious bread at a slightly higher cost.

Senator PAGE. You are probably conversant with the situation in Vermont. Our creameries there let the farmer have his skim milk back, and it goes to feed his hogs. I do not know if very much, if any, of the milk coming back from the creameries is used in the making of bread. It may be, but I know the great bulk of it is used as feed for hogs, and we farmers think that in that way we maintain the quality of our soil and that the hog is the best outlet for this skim milk. Your suggestion is that if permitted to be used for human food, it would give the farmer a greater profit from his farm. Is that right?

Mr. LASATER. As an animal food it is worth, we will say from 25 to 50 cents per hundred pounds. As a food content in bread it is cheap at \$1.65 a hundred.

Senator PAGE. If it is worth so much more, why do not our Vermont farmers, who are pretty shrewd men, sell it to the makers instead of using it to feed to hogs?

Mr. LASATER. I do not know enough of your local situation to be able to answer that, but there are changes taking place in the food situation very rapidly. Many different substances are being put to use to-day that 10 years ago were never considered. That is one of the advances made in economizing farm products. For instance, I recall that until quite recently New York City had laws forbidding the sale of skim milk in the city. That was shown to be uneconomic, and my recollection is that last fall those laws were repealed. As a matter of scientific knowledge, it is known that after the butter fat is taken out of the milk, practically 50 per cent of the food value still remains in the form of proteins and other solids.

Senator PAGE. Can you tell me what the situation is as a matter of fact? Is it not true, as I have suggested, that the skim milk which comes back from the creameries goes to the farm and is actually used, nineteen-twentieths of it, in feeding hogs? And if it is worth more to mankind, why is it not so used?

Mr. LASATER. I will just relate my personal experience. I run somewhat of a dairy; I milk about 800 cows. Up to last year I used my skim milk altogether for feeding hogs and calves. During the past summer I found that there was a market in San Antonio for possibly 20 per cent of it; the baking interests there would take my milk. In feeding hogs I was able to get 25 to 50 cents net out of my milk. I am 187 miles from a market and the railroad service is poor.

but after condensing this milk to a certain point I was able to get 75 cents net—more than double what I would average for it as hog feed. I never had this demand before, and I can not tell you why, but I know that during the past summer I was able to dispose of that by-product for twice what I had been able to get for it prior to that. I suppose the same thing may apply to your situation in the East.

Senator PAGE. In your judgment, is more than 5 per cent of the skim milk of this country used for bread?

Mr. LASATER. I could not give you any statistics on that, Senator, but I will say this: The more you increase the consumption of skim milk in that form the better it must be for the whole people.

Senator PAGE. Yes; but if you are making a complaint here about an infinitesimal or negligible quantity of milk, perhaps Mr. Hoover is right; if it applied to a great bulk of the milk, I should think he was wrong.

Mr. LASATER. If the fact is as stated in Mr. Campbell's letter and it is now being realized by the country that this food value is inherent in skim milk, do you think, Senator, that the Food Administration—which is supposed to be the conservator of food supplies—should prevent the use of milk in that way?

Senator PAGE. Yes; if the quantity is so negligible that you would establish a difference in quality of bread which might disturb the public in regard to its understanding of the bread situation.

Mr. LASATER. The supply of skim milk, sir, if you simply divert it from its present uses to the making of bread, would not be negligible. I am not able to explain to you why that has not been done in the past, but I do know that in the last 18 months it has become a considerable factor.

Senator GRONNA. There has never been a shortage of wheat in the past.

Mr. LASATER. No. And we are eating many things we have never been forced to eat heretofore.

Senator PAGE. As a matter of fact, if there were only 5 per cent, or say if there were 10 or 15 per cent of the bread of the country made from milk, would you disturb the whole bread situation of the country, as Mr. Hoover suggests, in regard to the "rich man's bread" and the "poor man's bread"?

Mr. LASATER. If it had that effect I certainly would not do it, but I can see no reason in the world why that should apply. If a man uses a commodity to-day that has not been used as human food, I do not see why that should be termed "rich man's bread."

The CHAIRMAN. We have been having wheatless days all along, and I suppose we have got to have more. I see in the morning papers that Mr. Hoover has induced several of the leading hotels to discontinue the use of wheat entirely, and I presume that is necessary. But if the use of milk in bread will make it go further than the wheat alone would go, that would be one of the most effective methods of conserving wheat and a good deal more wholesome way of doing without it.

Senator PAGE. I wish, Senator, that the bread could be made of skim milk, and that our Vermont farmers could have the advantage of the increased price for it, but as a matter of fact it is not done.

The CHAIRMAN. But you ought not to make it impossible for it to be done if circumstances have arisen that make it desirable.

Senator PAGE. I should like to get a little deeper into this subject if I were going to pass judgment on it.

Senator GRONNA. Senator Page, is it not true that bread made out of wheat or any other grain contains a certain amount of protein? The flour absorbs from 50 to 56 per cent of water. There is no protein in water. There is protein in milk; there is a large amount of protein in unskimmed milk; there is also some protein in skimmed milk. I think what Mr. Lasater wants to refer to is the fact that we, by using skimmed milk, would conserve flour. That is, you would have to use less flour.

Mr. LASATER. The same amount of bread would contain more nutriment, Senator.

Senator GRONNA. I think any scientist will bear me out that that is true.

Senator PAGE. If I may answer Senator Gronna, what you say is absolutely true, but that is an argument as to why we should use more milk. But if, as a matter of fact, the quantity of milk we use is negligible, and if by using the very small quantity which is suggested we do make two kinds of bread, as Mr. Hoover suggests, the question, it seems to me, may be debatable as to whether we ought to permit the minds of the consumers to be disturbed by saying, "Here are two kinds of bread."

The CHAIRMAN. I do not see any distinction between that and having two cuts of beef. The poor man eats the ordinary cuts and the rich man eats the finer cuts, and yet no complaint can be urged as to the economy of doing that. We have not prior to this war situation been encouraging the use of potatoes and other mixtures with flour; in fact, we had a law taxing mixed flour. But now where bread made with milk contains a larger number of calories in proportion to the expense, it seems to me it ought to be encouraged instead of making it impossible.

Mr. LASATER. I think it ought to be encouraged.

Senator PAGE. I agree with you.

Mr. LASATER. It ought to be encouraged from this standpoint: Anything that will add to the net amount that a dairyman is capable of making to-day should be encouraged. I make this statement, that there is not a State in the Union that is paying cost for butter fat to-day to the producers of the butter fat.

We have been told since this war started that the producers of the country could not go wrong in producing meats or dairy products, and still here in the fourth year after the European war started you find the producers of meats of the country taking a loss on production, and you find the producers of dairy products of the country taking a loss on production. That does not seem to comport with the national welfare.

Senator PAGE. You will agree with me, I presume, that according to her size Vermont outranks Texas tenfold, and I do not know but what is fiftyfold, in the amount of dairy products. We are the great dairy State of the Union in proportion to our size, and I am interested in everything you suggest. And if it is practicable that we can put our skimmed milk where it will pay us two or three times what it does now, I want to see it done. But we are not doing it, and I do not know but the reason we are not doing it is one of the

reasons why Mr. Hoover urged we do not permit the use of milk in bread.

Mr. LASATER. I hope you will take that up and find out why it is. I think it will be worth ascertaining, and then make it public.

Senator PAGE. I am interested in the fact, Mr. Lasater, surely.

Mr. LASATER. Mr. Chairman, I would like to pass now to the packer situation. I think that is something that is pertinent to the interest of every man, woman, and child, not only to the producers, but to the whole people.

As some of you gentlemen know, the live-stock producers of the country commenced two years ago to have an investigation of the live stock and the packing industries conducted by some governmental agency.

Senator PAGE. How long do you expect it will take you to complete your argument this afternoon?

Mr. LASATER. If this is the last thing to discuss, I should think 20 minutes.

Senator PAGE. It is now 20 minutes past 3, and I have to go at half past 3, so I will remain a few minutes. Please give us the gist first, if you can.

Mr. LASATER. I am going to proceed with my statement, and I will make any comments and answer any questions that you may desire to ask in regard to the situation. The American National Live Stock Association appointed a committee known as the market committee, to try to bring about this investigation by the Federal Trade Commission. That committee had a meeting with the Chicago packers on December 6, 1916, and this agreement was made between that committee and the packers:

Resolved, That Mr. Walter L. Fisher be constituted a committee to determine how an adequate appropriation can best be secured from Congress to enable the Federal Trade Commission to conduct a thorough investigation of the entire live-stock and meat industry and to determine on what phraseology of a resolution or appropriation bill or item will properly accomplish this purpose, the packers here stating that they withdraw all opposition to such an investigation and will not oppose the passage by Congress of such a resolution, or appropriation bill or item.

This is the hearing before the Federal Trade Commission, and that resolution was read into the record in that investigation. [Reading:]

Mr. LASATER. I offer this as a substitute, for the pending Veeder resolution.

Mr. Veeder had proposed to the assembly a certain resolution, and I proposed this as a substitute.

The CHAIRMAN. Mr. Veeder was attorney for the packers?

Mr. LASATER. For the packers. [Reading:]

Mr. TOD. I second the substitute.

Mr. MORRIS. I think we should cover the matter of charges and naming particular persons.

Mr. FISHER. Everybody understands that.

Resolution was then altered to read as follows:

Resolved, That Mr. Walter L. Fisher be constituted a committee to determine how an adequate appropriation can best be secured from Congress to enable the Federal Trade Commission to conduct a thorough investigation of the entire live-stock and meat industry and to determine on what phraseology (without specific charges against particular parties) of a resolution or appropriation bill or item will properly accomplish this purpose, the packers here stating

that they withdraw all opposition to such an investigation and will not oppose the passage by Congress of such a resolution or appropriation bill or item.

It was put to a vote. Unanimously carried.

Meeting adjourned at 1.30 p. m.

WM. S. TRAYNOR.

Mr. Traynor was secretary of the meeting.

The CHAIRMAN. What meeting was this?

Mr. LASATER. This was a meeting between the market committee and the packers at Chicago. You will see my object in reading this as I proceed. I was before the Federal Trade Commission, and that was read, and he asked me this question [reading]:

By Mr. HENRY: Q. Is that substantially as you recollect it, Mr. Lasater, what occurred?—A. Yes; substantially. I would like to make this plain. The reason that finally Mr. Fisher represented both the packer and the producer was this: We wanted immediate action, and Mr. Veeder stated that it was impossible for him to go to Washington the next week, that he had other things to do, and Mr. Armour had other things to do, and they were perfectly satisfied for Mr. Fisher to represent both interests. That was the way it was done, and at their request.

As a matter of fact, everybody conversant with the situation knows the packer did not withdraw his opposition. We failed to get that resolution through, and the President finally ordered the investigation, and later the appropriation to put the investigation over was carried through the House and Senate.

The packers created a committee composed of Mr. M. C. McManus, J. M. Chaplin, and Arthur White to recommend to them a plan of procedure to prevent the passage of the Borland resolution.

The CHAIRMAN. That was the resolution to investigate the packers?

Mr. LASATER. That was the resolution to investigate the packers and the live-stock industry. We wanted the costs of live-stock production shown at the same time, so that the country would have the figures before it when the hearing was completed. This is addressed to all the packers—that is, copies were sent to all the packers, and it is dated April 3. I am only reading part of a very long statement.

Senator PAGE. That was in 1916?

Mr. LASATER. That was in 1916. [Reading:]

The conservative, friendly cattlemen are unorganized and have remained passive. There is, however, a large element in both the Texas and Kansas associations which is friendly and opposed to the movement.

Speaking about this movement asking for the investigation. [Reading:]

There are also some of those in the movement who want to be fair and reasonable, and who only wish to satisfy their minds as to the fairness of the packers.

Undoubtedly we have started our educational campaign late. The fact that we ignored the Brand conference in November seems to have precipitated the fight and fixed the minds of Burke and his kind in the notion that only the Government is powerful enough to bring the packers to time.

“Educational campaign late” is underscored with red. “The fact that we ignored the Brand conference in November seems to have precipitated the fight” is underscored in red.

There are these points in our favor: This administration has not disturbed business by prosecutions, and does not wish to be known as appealing to the mob spirit. It does not wish to spend money, as its revenues are in bad shape. It must come before the corporations for political subscriptions shortly, as

the convention is almost at hand. Congressmen wish to go home to attend to their fences.

What we can do.

Senator NORRIS. Who is talking?

Mr. LASATER. This is this committee talking.

Senator NORRIS. That is all right. That is all I want to know.

Mr. LASATER. To show you that the plan of operation was being carried out.

Senator PAGE. They were not going home to "attend to their fences" in 1917?

Mr. LASATER. If you will permit me I will get the exact date. It may have been 1916—the date given is April 30. It must have been the year previous.

Senator PAGE. It is immaterial.

Mr. LASATER. April 3 is given, but the year is not given at that point.

The CHAIRMAN. The convention approaching would indicate it is the early part of 1916.

Mr. LASATER. The early part of 1916; that is when it was.

"What we can do," in the center of the page, is underscored. [Reading:]

We have worked out an understandable scheme for current dissemination by the Government of official data, which will direct the attention of the cattlemen particularly to the beef, and teach them how to analyze beef market conditions as affecting live-stock prices. The Department of Agriculture seems to favor the experiment.

The Lever agricultural bill commits the Department of Agriculture to the general supervision of all agricultural subjects which are now scattered through several departments. The Department of Agriculture has now probably nine-tenths of the data in one form or another, and the Bureau of Markets is the particular pet of the present Secretary.

The Texas Cattle Raisers Association was badly split on the subject of employing Judge Sam Cowan as counsel, and probably would not favor another split growing out of the differences of opinion between the radicals and conservatives. Messrs. Reynolds and Nail are powerful and respected and certainly the committee will hesitate before discrediting them.

In reading this correspondence you will find they differentiated between the cattlemen—the conservatives, those who favored the packers, and the radicals, those who did not. [Reading:]

They were two of those witnesses.

The Kansas association is headed by W. J. Todd, a sane, true, honest Scotchman.

That is the association in which they said they apparently controlled them, but really did not.

"The Kansas association is headed by W. J. Todd, a sane, true, honest Scotchman, who, while he did not interfere with the indorsement by his association of the marketing committee's plans, nevertheless has appointed a good committee who have an appointment with the packers. This last may have been interfered with by Mr. Fisher's fiasco at Washington, as we are informed the committee has gone on to Washington for a conference. We must bear in mind that Mr. Fisher repeatedly stated that his clients would not be satisfied with any information volunteered or any books shown to accountants or representatives of cattlemen. He insisted upon an official investigation under oath and with power to subpoena all documents and intend to follow the product through every stage and however admixed with other goods, stating that the packers have some hidden methods which the books do not show, and that frankly he does not and will not believe the packers' books.

"The circumstances which cause dissatisfaction to the cattlemen are few and in our opinion for the most part important only as they cause irritation. They

should be handled to the best advantage. If we are to avoid indictments we must immediately decide upon such steps as will first bring better feeling by showing a disposition to cooperate."

"If we are to avoid indictments" is underscored in red.

"Second. Get something cooperative started which can not be finished for some time."

Senator PAGE. How did you get at the private views of these men?

Mr. LASATER. This was read, sir, into the hearing on the 28th day of January of the Federal Trade Commission in Washington, investigating the packers.

Senator NORRIS. Was it not in Chicago?

Mr. LASATER. I think this was read into the record here in Washington.

The CHAIRMAN. That is the Henry investigation?

Mr. LASATER. This was read into the records here. [Reading:]

"Third. See that our friends in these cattle organizations do organize so as to discredit and undermine Walter Fisher, de Riecles, and Jastro conspiracy.

"Fourth. Get together all the political strength to persuade the subcommittee of the Judiciary Committee not to report out the Borland resolution unless necessary to prevent a bill for congressional inquiry.

"Fifth. To so combine the question of the packers investigation with the more comprehensive scheme mentioned by Fisher that the whole undertaking will appear so colossal as to be unattractive.

"Sixth. See if the Bureau of Markets can not be induced to start to publish data and familiarize itself with the situation to such an extent that it will begin to represent the cattlemen in all disputes.

"Seventh. See if the live-stock exchanges can not be induced to help dissipate some misunderstandings, to be at the hearing, offer to undertake to agree with the live-stock men as to the hour to start the market. It might be considered whether the exchange could not by ringing a bell and resuming the responsibility of determining when the market should start, do away with this charge."

Mr. Twombly tells me they do that at Indianapolis. They do some other things there also, which we will show the commission later.

"Eighth. Could there not be published current expert comments upon the beef markets which could be read by the commission men and farmers so that the explanation of breaks and fluctuations could be understood at the time?

"Ninth. Could we favor a permanent marketing committee of the live-stock men and packers to meet periodically, and have we not unnecessarily antagonized the commission men? Might not a grievance committee of the live-stock exchanges talk things over before they start their campaigns of misrepresentations?"

In our opinion the Bowles campaign against the country buying has inflamed the minds of the cattlemen, even those who favored the practice.

We believe the situation to be serious and recommend that due consideration be immediately given to it, and that everything be done in every direction to head off the present movement and to relieve the tension. We believe that as it stands to-day nothing could stop criminal prosecutions, and that the situation is dangerous where men like Burke, who have been in the business all their lives, regard trivial and irrelevant circumstances as conclusively proving unlawful operations.

"We believe the situation to be serious and recommend that due consideration be immediately given to it," is underscored in red. "We believe that as it stands to-day nothing could stop criminal prosecutions," is underscored in red.

It must not be forgotten that some have the impression the consumer is being badly used. Chairman Corlin, at the close of the hearing, said that even if the packers and live-stock men found they could adjust their difficulties amicably, there was still the consumer to be considered.

This is signed by R. C. McManus, J. M. Chaplin, and Arthur B. White, and it went to all the packers.

Senator NORRIS. Were these gentlemen constituting a committee of some kind?

Mr. LASATER. A committee created by Swift & Co., and then later taken over by all the packers.

Senator NORRIS. They appointed this as a committee on ways and means?

Mr. LASATER. As a committee on ways and means to prevent the investigation now taking place.

The CHAIRMAN. A board of strategy?

Senator NORRIS. A sort of a war cabinet.

The CHAIRMAN. Yes.

Mr. LASATER. And you will see, when you go into it, that the recommendation was carried out, both as to the live-stock organizations, and that practically every recommendation that that committee made was acted upon by the packers. This is too voluminous for me to attempt to handle every point that is made; but there is one point as to the influence the packers have upon the banks of the country affecting the credit of the live-stock producers, which I am going to ask to be given a few minutes to present to you.

Senator NORRIS. Before you leave that, I want to ask you about those men who have signed it. Are they connected with the packers?

Mr. LASATER. All of them; yes, sir. A copy was sent to G. F. Swift, jr., Harold H. Swift, L. A. Carton, F. S. Hayward, Henry Veeder, J. M. Chaplin, A. D. White, T. E. Wilson, Edward Morris, jr., F. E. White, and Thomas Creigh.

Senator NORRIS. Those are all packers?

Mr. LASATER. Packers. You will find the entire group of packers got these recommendations.

Senator NORRIS. These men who signed it, who made the recommendations, they are packers, are they?

Mr. LASATER. They are in the packers' employ. I know Mr. McManus personally. I have met him at many conventions. He handles the legal department for Swift & Co.

Senator NORRIS. They are mostly lawyers, those fellows?

Mr. LASATER. Lawyers and publicity men, I believe they term themselves. J. M. Chaplin and R. D. White I am not acquainted with personally; but they are connected either—

Mr. REID. Arthur D. White is the publicity agent.

Mr. LASATER. I knew he was something like that.

Senator NORRIS. They were not engaged in publicity when they did that. [Laughter.]

Mr. LASATER. It was not intended to be public at that time.

Senator NORRIS. This is a confidential report?

Mr. LASATER. A confidential report.

Senator NORRIS. And Mr. Heney brought this out in his investigation before the Federal Trade Commission?

Mr. LASATER. Yes, sir.

Senator NORRIS. And that is where you got it?

Mr. LASATER. That is where I got it. I want to say this, gentlemen, you will find it is shown conclusively by this investigation that the five big packers of the country buy cattle on an agreed per

cent—that is, cattle, hogs, and sheep—the country over. That was read into the records, the exact percentage according to which each packer is to handle the stuff.

The CHAIRMAN. The money they raised to carry on this campaign against the investigation was proportioned on the same basis?

Mr. LASATER. On the same percentage at which they buy live stock.

The CHAIRMAN. Could you attach to your statement, Mr. Lasater, a statement showing the proportion?

Mr. LASATER. It would take some time to hunt it up, but I will insert it at this point in my statement.

The CHAIRMAN. I thought it was brought out in one of the letters.

Mr. LASATER. It is brought out, but I have not the matter indexed, and I would not know how to turn to it.

(The statement referred to was subsequently submitted by Mr. Lasater and printed in full, following his statement.)

Mr. LASATER (reading):

Personal. Mr. T. E. Wilson, president. Borland resolution. This is a letter from C. S. Bowman to T. E. Wilson.

Senator NORRIS Who are they?

Mr. LASATER. Mr. Bowman is an employee of Wilson & Co., and T. E. Wilson is president of Wilson & Co.

The CHAIRMAN. Successors of S. & S.

Mr. LASATER. Yes, sir. Mr. Kravitz is the examiner who is testifying at this time. [Reading:]

Mr. HENY. Mr. Kravitz examined the files of Wilson & Co., and I will put him on the stand later in regard to that.

"Borland resolution"—

That is the subject of this telegram—

"Your telegram on this was received yesterday afternoon while I was away from the office. I reached Mr. Hill as soon as possible and then decided that inasmuch as the people at the yards who might do us some good had already gone home for the day, we would handle it this morning.

"Mr. Hill circulated around among the commission men to ascertain how they stood, and the joint result of our influence—Morris's, Armour's, and Swift's—was the sending of about 12 telegrams from commission men asking no action be taken at this time as it would be detrimental to the producer."

That is, this Borland investigation they were getting action on.

The CHAIRMAN. The packers had telegrams sent in to the effect that the investigation would damage the producer?

Mr. LASATER. Yes, sir—had the banks and commission men send the telegrams.

This is a statement by Mr. Heney:

The commission men all rent their offices in the Exchange Building at the stockyards, and the stockyards at Kansas City, Mr. Commissioner, are controlled by the Morris family. Over 51 per cent is in the Morris family, and Armour and Swift and Wilson, jointly, so that they all control the building in which the offices are rented and control the stockyards in which the commission men do their business.

Mr. Hill is who?

Mr. KRAVITZ. Connected with the Kansas City plant of Wilson & Co.

Mr. HENY. And Hill has to do with the buying of cattle, sheep, and hogs there; does he? He has charge of that end of it?

Mr. KRAVITZ. That is my impression.

Mr. HENY. Yes; the correspondence shows that; I recollect now.

Mr. KRAVITZ. Yes.

Mr. HENY. "Mr. Hill," who is the man who attends to buying sheep, cattle, and hogs at the Kansas City yards for the Wilson Co.—"Mr. Hill circulated

around among the commission men to ascertain how they stood and the joint result of our influence, Morris's, Armour's, and Swift's was the sending of about 12 telegrams from commission men asking no action be take at this time as it would be detrimental to the producer.

"In the meantime we were working with Mr. Hovey, of the Inter State; Mr. Collett, of the Yards Co.; and Mr. Newman, of the Drovers."

That is the Drovers National Bank, and that is controlled by the big packers and the stockyards, the same.

The CHAIRMAN. All in Kansas City?

Mr. LASATER. All in Kansas City.

"Mr. Newman wired a friend of his in Kansas to have Congressman Taggart apply as much pressure as could be done consistently to have the investigation stopped in the interest of the producer. Mr. Peter Goebel, of the Commercial National Bank, wired Taggart along the same lines, likewise Mr. Prouty of the Exchange State Bank.

"On Monday Mr. Hill will see Mr. Cowgill, one of the directors of the S. W. Cattle Loan Co., a prominent cattle raiser, ex-State treasurer, and a Democratic politician, * * *."

The CHAIRMAN. Who is the politician?

Mr. LASATER. He is a politician and cattle raiser; that is, Mr. Cowgill.

The CHAIRMAN. He is the man I want to get a line on.

Mr. LASATER. He is one of the directors of the Southwestern Cattle Loan Co., which is a packer institution largely controlled by them.
[Reading:]

"* * * who will see Kenper, a prominent Democrat and President of the Commerce Trust Co., and together we hope they will do some wire pulling that will prove beneficial. They are able to do it, and we hope to accomplish it.

"To-day we met Mr. Dorsey, a friend of Hills and mine, a cattle raiser of Amarillo, who is going to the latter place to-night to attend a stockmen's convention. He is with us and will do what he can for us at the convention.

"To-morrow morning I meet Mr. Hovey and will frame up a wire to Fugua, president of a bank at Amarillo, an officer of the Panhandle Southwest Cattle Raisers Association, and a very extensive ranch man himself. Hovey thinks without doubt Fuqua will go just as far with us in this proposition as he can and that being somewhat a diplomat will be able to handle the convention in the way that will at least not do us any damage.

"The Mercantile Club, of Kansas City, Kans., will probably send a wire to Congressman Taggart along the lines we suggest."

In Kansas City, Kans, Mr. Commissioner, I will be able to show that Armour, Swift, and the Burlington Railroad own a large tract of land which they have been developing jointly, and I think we can show that has something to do, perhaps, with their influence with the Mercantile Club of Kansas City.

The CHAIRMAN. Is this secret diplomacy?

Mr. LASATER. I would term that "secret diplomacy"; yes, sir.

Again quoting from the letters:

"Our friend Swinney of the First National also wired Senators Stone and Reed stating it was an inopportune time to stir this matter up.

"In short, we have as many lines working as we feel can do us any good at this time and intend to follow them up. I anticipate more than can be done by Cowgill & Kruger on Monday than all the rest combined.

"I had quite a long talk with Mr. Hovey of the International this morning, who is unquestionably very friendly to our interests and gave me an insight as to the standing of several of his large depositors, one of whom was Landergerin of Landergerin Bros., of Amarillo, who testified in Washington a short time ago. Mr. Hovey was of the opinion a large majority of the cattle raisers were against us which opinion was not shared by Mr. Collett"—

Mr. Collett handles the Kansas City Stock Yards:

In Kansas City, Mr. Commissioner, the street railroads are owned by Armour.

The CHAIRMAN. They also handle grape juice [laughter].

Mr. LASATER. I believe so. [Reading.]

The interests of the packers in Kansas City are more ramifying, the ramifications are greater than perhaps in any other large city in the United States, not even excepting Chicago, where they are very great, as I will be able to show to the commission by sworn testimony. They reach into banks, particularly, and they reach into banks all over the country.

As I said before, I think we will show that they reached into the banks at Detroit, and in Detroit the A. A. C. Co. cooperates with them in the rendering business, as we showed in Philadelphia and as we will show in other large cities, and has practically a monopoly in Detroit of the rendering business, where it is paying prices scandalously low for shop waste to the butchers, as we proved at the Philadelphia hearing. The A. A. C. Co. is quite influential, also having certain banking connections.

Wilson & Co. is being financed by a group of New York banks, which are interested themselves very actively in the extension of the business, to acquire other independent plants, and they have been acquiring quite a number of independent plants during the last year, and we will show presently correspondence relating to that, showing the interest taken by certain bankers in backing up Wilson & Co. in the matter of acquiring these independents.

Commissioner MURDOCK. Of course, this is the first time that you have brought out the fact that any of the bankers are interested in a street railway company.

Mr. HENEY. Yes.

Commissioner MURDOCK. We knew they were in the tanneries and in the canneries and in the chemical companies, but this is the first indication of street railways.

Mr. HENEY. The street railway situation in Kansas City was a very interesting one. The Kansas City Star, when Mr. Nelson, the editor, was alive, had quite a fight because of the fact that they were largely overcapitalized and giving poor service and wanting to get a new 15-year franchise, and they had quite a scrap on there for some time by referendum, and so on.

J. Ogden Armour is the packer. It appears that J. Ogden Armour invests—and Swifts do the same, and Morris do the same—they invest individually in different enterprises. It is impossible to tell whether it is an individual investment or a corporation investment, because it will be carried along in the books, and it will not indicate, as shown by the testimony of Mr. Croll here before the commission in regard to their Chicago stockyards proposition—it will not show which it is.

The packers, until this exposé, always contended that the packers had no control over the Union Stock Yards at Chicago. That is now shown to be under Armour control, and has been for some years back.

The CHAIRMAN. They evidently did not know that?

Mr. LASATER. We did not know it, even as late as December 6 of 1916. J. Ogden Armour denied that the packers had anything to do with the Chicago yards. That is one of the points the live-stock producers have always contended with the packers, that the yards, at least, should not be under packer control.

The CHAIRMAN. It is strange that should happen without his knowledge.

Mr. LASATER. It is; yes, sir. [Reading:]

Mr. Arthur Meeker testified here before the hearing in April, 1916, before the committee, that neither J. Ogden Armour individually or Armour & Co. had any interest in the stockyards at Chicago, directly or indirectly. That was one of the important questions before the committee—the control of the stockyards.

The CHAIRMAN. Mr. Meeker is the man referred to that would have to meet some charges or else get Mr. Meeker to make a statement?

Mr. LASATER. Yes. [Reading:]

Now, it appears from Mr. Croll that there was on the books at that time, and had been for several years, an account "J. Ogden Armour No. 4." He said that

investment in the Chicago Stock Yards was in Mr. Armour's personal account until some indefinite time, which he could not name. He could not say whether it was two years, or six months, when Mr. Armour was included in the assets of Armour & Co. There was no action in the board of directors on the matter; there was no action in writing by J. Ogden Armour; nothing to indicate on the books, or anywhere else, whether it is still J. Ogden Armour privately, personally, or whether it is Armour & Co.

That is true of a great many other investments which we have secured information in regard to: The investments of Morris, investments of J. Ogden Armour, and investments of different individuals of Swift.

For many years these investments would be carried along in the name of the original owner, sometimes in other names, sometimes in the names of employees of Swift or Armour, and so on, who carried them as trustees, as it turns out later, but on the face of it do not appear to be trustees. We have a great many instances of that.

Commissioner MURDOCK. I would like to ask you this: As you know, the packers are going extensively into the canned goods business.

Mr. HENEY. Yes; very largely.

Commissioner MURDOCK. A vital factor in canning goods is tin.

Mr. HENEY. Yes.

Commissioner MURDOCK. That tin is furnished by the American Tin Corporation?

Mr. HENEY. Yes.

Commissioner MURDOCK. Which is connected, in turn, with the United States Steel Corporation.

Mr. HENEY. Yes.

Commissioner MURDOCK. Do you find any trace of packer ownership in American Tin?

Mr. HENEY. Yes. I have not the details of it in mind.

Commissioner MURDOCK. If we ever reach the stage in this country where it is a matter of absorption between the United States Steel and the packers, my private opinion is that the packers have shown capacity to absorb the United States Steel.

Just one more item I would like to read into the record.

The CHAIRMAN. In this connection?

Mr. LASATER. In connection with and affecting live-stock credit.

The CHAIRMAN. Just before you do that. Part of the matter you have has been a revelation to me, where these packers were having telegrams sent in that these investigations would be detrimental to the producer.

Mr. LASATER. You will find in every live-stock association of the country the packers are represented. That is a fact; you can not ignore it, and we had just as well admit it.

Senator NORRIS. It is quite apparent. They thought such telegrams would have more influence with the Congressmen.

Mr. LASATER. That was the reason of it.

Senator NORRIS. And they would get some producers to wire instead of the packers doing it themselves.

The CHAIRMAN. Do you know whether Mr. Kemper pursued this matter? Have you any further trace of it?

Mr. LASATER. This gentleman writing this letter, Mr. Bowman, stated that he did.

The CHAIRMAN. "Did" or was going to?

Mr. LASATER. This is continued. Let me go on with it. That was an injection; I do not know how it came in. This is continuing the letter from Bowman to Wilson, which I was reading from:

"The Mercantile Club of Kansas City, Kans., will probably send a wire to Congressman Taggart along the lines we suggest. Our friend Swinney of the First National also wired Senators Stone and Reed stating it was an inopportune time to stir this matter up."

That has been read once.

"I had quite a long talk with Mr. Hovey of the Inter-State this morning, who is unquestionably very friendly to our interests and gave us an insight as to the standing of several of his large depositors."

There is another evidence of danger.

"An insight as to the standing of several of his large depositors, one of whom was Landergin of Landergin Bros., of Amarillo, who testified in Washington a short time ago."

At that point I was called to the stand. [Reading:]

By Mr. HENEY: Q. Mr. Lasater, you are under oath?—A. Yes, sir.

Q. Mr. Landergin is a wealthy buyer and shipper of cattle, is he not?—A. Not only that; he is a large operator in cattle as well as producer in cattle.

Q. And doubtless borrows heavily at times?—A. I know him to be a very heavy borrower; yes, sir.

Q. And he was hoping to bring about this investigation?—A. One of the leaders in it; yes, sir.

Commissioner MURDOCK. He was active in something which the packers regarded as adverse to them.

Mr. HENEY. Yes. The files show some close relationship between Armour and the Du Pont Powder Works also; and then, in addition to that, Mr. Armour and Mr. Prince, whose ownership in the Chicago Stock Yards was brought before the commission, are interested in a powder company which has a \$20,000,000 contract with the Government at the present time.

I only mention these facts as showing the ramifications to some extent.

"Mr. Hovey was of the opinion a large majority of the cattle raisers were against us, which opinion was not shared by Mr. Collett.

"Mr. Hovey feels the packers are giving the public a square deal and this being the case should court an investigation as to cost alive, cost to manufacture, and selling price.

"All of the packers were working on this this morning, prominently among them C. W. Armour."

Q. C. W. Armour is a brother, is he, of J. Ogden Armour?

A. A nephew, I think.

Q. And he is located at Kansas City, is he not?

A. I think so. He is either a nephew or a cousin.

Mr. HENEY. He is superintendent there; took the place of W. D. Miles.

Here is the telegram in quotations: "Keep us posted." I will read the telegram:

OSB'G
CC'CHH

P. S.—Since the above was dictated I have talked to Collett by phone, who stated Swinney wired Senators Stone and Reed to "put the skids" under this proposition and get rid of it. Downing, president of the New England National, also wired; likewise Huttig, president of the National Reserve Bank. Mr. Collett told me he would be in Chicago next Monday and here next Tuesday. Perhaps you will get a chance to see him.

R. S. BOWMAN.

The CHAIRMAN. You do not know anything further about Kemper's activities?

Mr. LASATER. No; I do not.

The CHAIRMAN. I wish you did.

Mr. LASATER. Again questioning:

Mr. HENEY. "I had quite a long talk with Mr. Hovey, of the Inter-State, this morning"—

That is a bank that is connected with the Stock Yards Co.; that is, it is interallied there.

"who is unquestionably very friendly to our interests and gave me an insight as to the standing of several of his large depositors, one of whom was Landergin of Landergin Bros., of Amarillo, who testified in Washington a short time ago."

Landergin, as Mr. Lasater says, was president of the cattlemen's association, was it?

Mr. LASATER. No; he is vice president of the Texas Cattle Raisers' Association, and has been one of the active promoters of this investigation.

That is a statement in response to a question made by myself. Then Hovey wires back to Bowman and states that he was advised as to the condition of Landergin's account by Mr. Hovey.

The CHAIRMAN. Do you know whether they made any effort to turn on pressure through the bank?

Mr. LASATER. I only know John Landergin is one of the most sensible men of my acquaintance. Since this publicity I have not met him. He belongs to that class of live stock producers called by the packers "radicals."

Senator NORRIS. Does he know his bank gave information as to his financial standing?

Mr. LASATER. I do not suppose he knew it until it was made public by this investigation. I have not met Mr. Landergin since this happened, so I have had no expression from him in regard to it.

Commenting on the tremendous banking influence the packers wield, an extract taken from the Chicago Examiner, of September 18, 1915, reads as follows:

And it is likewise known that the packers hold a whip hand in many of the Chicago banks. As an indication of what power the packers hold in Chicago finances, the following information is given by a banker.

J. Ogden Armour is a director of the Continental & Commercial National Bank, the Continental & Commercial Trust & Savings Bank, the Hibernian Banking Association, and he also owns a good sized block of stock in the First National Bank, the Central Trust Co., the Illinois Trust & Savings Bank, the Northern Trust Co.

Edward Morris and the Swifts are heavy stockholders in the First National Bank. Joseph M. Cudahy and Louis F. Swift are directors of the National Bank of the Republic. E. F. Swift is a director of the Fort Dearborn National Bank. And then there are the Stock Yards Savings Bank, Live Stock Exchange National Bank, and the Drovers' Trust & Savings Bank, almost exclusively owned by packers.

In addition to the above Chicago Examiner references, J. Ogden Armour is a director in the National City Bank of New York City; Arthur Meeker, vice president of Armour & Co., is a director in the Peoples' Stock Yards State Bank; and George E. Marcy, president of the Armour Grain Co., is a director in the Union Trust Co. Bank of Chicago. Armour, Swift, and Morris are the dominating factors in live-stock credits the country over.

Mr. Chairman, I would like to make this statement: I have been a large producer and shipper of live stock for more than 30 years. I have rarely handled less than 5,000 cattle, and many times over 20,000, a year. So I have had occasion to study the packer through all these years, and I have watched him grow. I do not believe there is any way to successfully contend with the packer—I mean the five big packers—except by the Government taking charge of them; and I believe this investigation made by the Federal Trade Commission, and the facts that have been brought out, if those facts are properly got in shape so they can be appreciated, will bear out that statement.

Senator NORRIS. You think that the Government ought to own the packing houses, do you?

Mr. LASATER. I think the Government ought at least to operate the packing houses of the five large packers until some reforms are instituted.

The CHAIRMAN. If the Government should take them over, and should get Mr. Collins, Mr. Brooks, Mr. Priebe, and Mr. Heyl to operate the packing houses, do you think that would better the situation at all?

Mr. LASATER. No, sir; it would not improve it at all.

The CHAIRMAN. If the Government should take them over, and put Mr. Garfield in charge of the packing houses, and he were to operate them like he has the coal business, would that improve conditions?

Mr. LASATER. Mr. Chairman, I still think the great bulk of the American people are honest, and I think we are a reasonably efficient people; and I can not but think that, in a matter of this kind, we can find men of the necessary intelligence and honesty to handle it.

The CHAIRMAN. There is no question about that.

Senator NORRIS. If we had the same kind of men to run it, is it not true that, if the Government ran it, all of these things would be public, instead of being covered up as they are now? In other words, if the Government were running it, there would not be these kinds of jobs put up here?

Mr. LASATER. I think that is true.

The CHAIRMAN. Well, my question was distinct from that. I have no doubt they could get rid of a lot of this profiteering.

Mr. LASATER. Yes, sir.

The CHAIRMAN. But would there not be a lot of inefficiency, like there was in the Shipping Board?

Mr. LASATER. That would slough off in time, I think, and I believe you would get a reasonable degree of efficiency and an honest administration of it.

I will give one illustration of that: Mr. Brooks, who was put in charge of one branch of the Food Administration, is a very capable man. He was what they call a "live stock claim agent" for some railroad. His position was to keep the live-stock interests from being antagonistic—and he was an artist at that. In recent years the railroads have not had the need for that class of men. He was taken over by Swift & Co., to handle their different stockyards in the country; he was largely the man that represented Swift & Co. in keeping in touch with the live-stock producers.

If it had not been for the relations of the packers to the railroads in years gone by I do not think we would have the present situation as to the packers now, because the rebates that the big packers were able to command from the railroads were largely what gave them the advantage over the little packers throughout the country and gradually enabled them to eliminate competition.

You take it as it is to-day—we have three great groups of financiers in this country: The Morgan group, the Rockefeller group (the National City Bank), and the packing-house group.

In many things these three groups are merged. By studying simply the packers' situation you can not account for the administration of the food situation. If you take into consideration, however, these three groups of financiers, you can find a reason for the organization that Mr. Hoover has got together.

The CHAIRMAN. Do you correlate these other organizations with the packers in the Food Administration?

Mr. LASATER. I do.

The CHAIRMAN. That is a new discovery. What are the connections?

Mr. LASATER. All of these interests are largely interested in—first, we will commence with the millers; that was the first business that was licensed; then with the canneries, the milk condensaries, the creameries and the packers. You will find that between a big packer of Chicago and a big banker of New York and Chicago, that you can not differentiate the one from the other.

The CHAIRMAN. One of the Armours is on the board of directors of—

Mr. LASATER (interposing). Of the National City Bank. In recent times there have been two men transferred from Armour & Co. to high positions in the National City Bank. One of them is Mr. Davidson. I could give both names, but I have not them at hand; but I know that to be the fact.

The CHAIRMAN. Yes.

Mr. LASATER. And I know that at all times in the past, when you have found these different interests involved in any proposition, they have always been able to hang together.

Senator NORRIS. In other words, if they wanted to get at a man like the man down in Texas, whose name was Laudergin, I think, and if they could not reach him through the packers they would get him through the banks; they would get confidential information from the banks there as to his financial standing and financial needs?

Mr. LASATER. Yes, sir.

Senator NORRIS. And then they would have the proper party in their interest at the right time put on the screws?

Mr. LASATER. Yes, sir. Let me make this statement in this connection: The Old Colony Trust Co., of Boston, is one of the strongest financial institutions in the East. For years past they have bought a good deal of cattle paper. They buy largely cattle paper that goes through the different cattle loan institutions. I have met in years gone by Mr. Pousland, who is one of the vice presidents of the Old Colony Trust Co.; he has particular charge of this cattle paper.

In a conversation between Mr. Pousland and a number of livestock producers which took place in San Antonio, Tex., two or three years ago at the last convention of cattle raisers, held in San Antonio, Mr. Pousland made a statement, which I will quote for you, to Mr. Vant, of Omaha, and Mr. Wright, and a number of ranchmen; and I will say that they are both good business men. I do business with Mr. Wright's institution. We had been chaffing these packer bankers in regard to the influence they had on cattle production and cattle paper. We said, "In other words, you people treat us good, get us enthused over conditions, and loan us the money to buy cattle or to feed cattle; and then when Armour needs the cattle you can call in the loans." I will say this, that I have had business dealings for some years back with packer institutions; but I simply make this statement to show the grip that the packers have on the situation.

Mr. Pousland got interested in the conversation that I have mentioned, with Mr. Vant and Mr. Wright, and Mr. Pousland made this

statement—now, we are talking about one of the greatest producing interests of the country; that is, the live-stock production. Mr. Pousland went on to explain that his institution handled many thousands of dollars, in fact, millions of dollars, of cattle paper; but he said, "We would not buy one dollar of cattle paper unless it went through one of these packer institutions. We know they have the machinery to pass on this paper, and we feel, too, that while these different loan companies only have a small capitalization, still the big packers would not see any paper that passed through a loan company that they controlled bring to the buyer a loss. And so we are on the market and do handle cattle paper, but we limit ourselves largely to cattle paper that goes through these institutions.

Now, here is the representative of one of the largest banking institutions in the East, that has big interests in furnishing the capital for the production of the most important meat product of the farmer, because cattle mean more to the fertility of the farm than any other class of live stock, which insists on getting paper from us that goes through the hands of the men who will buy our product, and have the power to decide prices paid to the producer.

That looks to me like one of the reasons why the packing influence has gotten so far into the business of the country that only the Federal Government can meet it and contend with it.

Senator NORRIS. Is that all you wish to say, Mr. Lasater?

Mr. LASATER. That is all I care to say, unless you wish to ask some questions.

I have here a copy of the Chicago Daily Drovers' Journal of March 12, 13, and 14. It has been mentioned here in the committee that the object of the Food Administration was to stabilize the markets and prevent wide fluctuation. I will read you a few headlines on the hog market from this newspaper.

From the issue of Tuesday, March 12:

Hog prices lower than Monday. Close fairly good. Bulk of business 50 cents lower than the close of last week.

On Wednesday, March 13:

Hogs again sharply advance, with top highest in three months. General average prices 35 cents above Tuesday.

This is on the 14th:

Heavy kinds advance most. Average, \$1 above low day last week.

So that, taking the prices 50 cents low on Tuesday to \$1 high on Thursday, that shows a difference of \$1.50 in a week on hogs, as given by the Chicago Daily Drovers' Journal, the daily live-stock newspaper of the Chicago market.

I also have a clipping from the Wallace Farmer which I should like to read. This simply carries out the statement that I read in those letters from Mr. Wilhelm, Mr. Murphy, and Mr. Shepard.

Senator NORRIS. Give the date and name of the paper you are reading from, please.

Mr. LASATER. This is from Wallace's Farmer, under date of March 15, 1918:

The limit of \$1.28 on corn futures did not prevent cash corn in the month selling at from \$1.50 to \$1.85 per bushel, simply because there was a shortage of corn, and people were willing to pay those prices to get it. There may be conditions next June which will make people willing to pay for ribs and lard

more than these maximum prices as fixed by the Chicago Board of Trade. If so the packers will have some extra profit. They indicate, however, that it is the purpose of the Government to use its influence to keep hogs below \$20 per hundredweight. The prices at which the packers have been selling hog products during the past two or three months have given them abnormal profits.

That is from one of the well-posted hog men of the country, and confirms what has been said by the packers themselves, as shown by the letters read.

The CHAIRMAN. I want to ask you this question: What is your view on the beefless, porkless, and lambless days?

Mr. LASATER. Of course, Mr. Chairman, there was never any reason whatsoever for the lambless day. That was a mistake; that is the least that can be said for it.

The CHAIRMAN. Yes.

Mr. LASATER. After the Food Administration was convinced of the mistake it looks to me as if the reasonable thing to have expected them to do was to encourage the use of lamb with just as wide publicity as they had before discouraged the use of it.

The CHAIRMAN. Substituting it for pork and beef?

Mr. LASATER. Yes, sir; and especially encouraging the use of the heavy lamb.

As a matter of fact, the Food Administration at first intended to prohibit the killing of lambs of a certain weight at all. That was the intent of that campaign. Finally they withdrew from that position, but they made pretty much the same kind of a representation on lamb production that was made on hog production, as I said this morning—that is, to make the lamb weigh all that was economically sound when you send it to market. The farmers of the country did that this last fall; and they had the same experience on the lambs that the country had previously had on hogs—they were discriminated against. I have asked them to advise the consumers of the country that it was really a patriotic thing for the producers of the country to put as much weight on the lambs as they did. And I believe if such representations had been made the consumers of the country would not have paid any higher price for the lighter-weight lambs than for the heavier lambs. I think the consumers of the country would then have been patriotic enough to consider the heavy lamb equally as desirable as the lighter lamb—as it was, as a matter of fact; it was just fed to a heavier finish, and carried a little more weight—it was a larger cut.

But, certainly, if we are to be in a position to conserve meats, that was something that the Food Administration should have advised the consumers of the country to do. But no such information was ever given to the consumers of the country. And the producers of the heavy lambs took the same loss as the producers of the heavy hogs did.

The CHAIRMAN. In the meatless days the people were permitted to eat chicken, were they not?

Mr. LASATER. Yes, sir.

The CHAIRMAN. Now, the Food Administration has relaxed the lamb embargo and put an embargo on chicken?

Mr. LASATER. Yes, sir. Of course, Mr. Chairman, they should not have put any of these restrictions on the consumption of meat when they were not necessary; as I showed this morning, it was Mr.

Hoover's intent to break the beef market at least as early as October; he announced his plan to do that, and he did do that.

The CHAIRMAN. You told me something at one time about a conference between yourself and Mr. Smith, one of the buyers; would you care to say anything about that for the record?

Mr. LASATER. I read that into the record this morning. That was when I made the statement that this buyer had said to Mr. Pinchot and myself that Mr. Hoover had requested him to stay out of the beef market for the time being. Mr. Hoover gave as his reason for the request that the market would go lower; and as we know, it did go lower.

This buyer went on and explained that, after some solicitation with Mr. Hoover, he got permission to fill part of their refrigerator space in the ships that were returning to England empty, with what is called the "edible offal" and "boneless meat." Edible offal is the heart, kidney, liver, and brain; and boneless meat is just a little better than that used by the canners, in that they take out the bone and it is frozen. I suppose they use it for sausage making, and so on.

The CHAIRMAN. Do you not think that on wheatless days people eat more meat, and on meatless days they eat more wheat? That it is just a zigzag proposition?

Mr. LASATER. Well, of course, you have to eat so many calories of food, and if you are deprived of one kind you will eat another.

I want to say this: I have not been opposed to the conservation of any foods that the man that was supposed to be posted felt was necessary. The point that I tried to make, and did make, with Mr. Hoover, when I first went into the Food Administration, was, that as we are to-day, we have no surplus in our world—in the allied world and America—of foodstuffs of any kind. We are living practically from hand to mouth. I tried to convince Mr. Hoover, and he recognized the fact, as shown in that Creasy letter, that there was no chance to accumulate a surplus if the producers of the country were forced to do it at their own risk—it would not be human nature for them to do it—but I thought the Government ought to advise the food producers of the country at once what supplies they would probably want, and I suggested the statement that was made in the Creasy letter, that in the event a loss was inevitable, if we got too much of any food supplies, it should be borne by the whole people, and not by a part of the people.

That seems to me to be just, and I believe it is economically sound, because I do not believe there is any way to accumulate that surplus entirely at the risk of the producers.

The CHAIRMAN. Your idea is that, when he produces an abundance of food supplies, he penalizes himself?

Mr. LASATER. That is exactly what the producers of the country have done this season. The cotton producer has produced light crops, and you see what the result has been on cotton.

The CHAIRMAN. Yes. Is there anything further that you wish to say, Mr. Lasater?

Mr. LASATER. No; that is all, Mr. Chairman.

Senator WADSWORTH. Have you any other witnesses for this afternoon, Mr. Chairman?

The CHAIRMAN. Mr. Teagarden, from Montana, wishes to speak for a few minutes.

Senator WADSWORTH. I do not want to interrupt him, but at the conclusion of the hearing of to-day I have a matter to bring up before the committee which I think of sufficient importance to be brought up immediately.

The CHAIRMAN. Very well; we will be glad to have you present it. (The various data subsequently submitted by Mr. Lasater, at the request of members of the committee, are as follows:)

LETTER FROM NAVY DEPARTMENT.

NAVY DEPARTMENT,
BUREAU OF SUPPLIES AND ACCOUNTS,
Washington, D. C., July 31, 1917.

Mr. E. O. HEYL,
*Committee on Supplies, Advisory Commission,
Council of National Defense, Washington, D. C.*

MY DEAR MR. HEYL: This letter is to acknowledge and to answer—satisfactorily. I trust—yours of the 23d instance, which read:

"The following is a sample of communications from poultry dealers that are coming to this committee on the use of poultry:

"We are advised that the regulations of the department permit of the purchase and use of poultry on such holidays as Thanksgiving and Christmas and occasionally on Sundays. Therefore, would it not be possible, owing to the exigencies of the present food supply, to waive the usual regulations regarding poultry and use part of the large supply and surplus which is in warehouses in Boston, New York, Buffalo, Chicago, St. Louis, and as far west as San Francisco, that the red meats may be conserved for future use for both our Army and Navy at home and abroad?"

You are no doubt aware that the holdings of dressed poultry in storage on June 1, 1917, were over 50,000,000 pounds, and is an increase of more than 400 per cent as compared to the holdings at the same period on June 1 last year.

"It is stated that the price of poultry is now considerably below the price of lamb, pork products, and other red meats.

"Will you kindly advise, if the above facts are confirmed and prices are relatively advantageous, if it would be possible to consider the use by the Navy of an additional quantity of poultry?"

Permit me to say at the outset that the week which has intervened between the receipt of your letter and the dictation of my answer has not been attributable in any degree to pressure of business. Rather have I delayed on purpose, because I wanted to carefully consider the subject matter and to give you in reply the very best of which I am capable, because I have every reason to think that you and your associates are doing your utmost in a patriotic and wholly unselfish manner to promote the best interests of the United States, which being the case, it is at once my duty and my pleasure to cooperate with you to the fullest extent.

Before proceeding to discuss the merits of the case I shall ask you to please permit me to introduce myself so that you may realize that however erroneous some of my individual views may prove to be, I am very far from being an inexperienced amateur with respect to subsistence.

My experience commenced in July, 1900, when I reported for duty as supply (and commissary) officer of the battleship *Kearsarge*; the same duties being continued by me for two years immediately subsequent thereto on board the battleship *Alabama*, to which I was shortly thereafter transferred. From June, 1903, to October, 1906, I served as assistant to the Paymaster General of the Navy; in which position all commissary questions were under my immediate administrative charge. During the cruise of the battleship fleet around the world in 1908 and 1909, I was fleet paymaster (and chief commissary officer) of a force of more than 13,000 men. From 1910 to the end of 1912 I was purchasing pay officer at Philadelphia, where I made a special study of commissary questions; and as a result of said study I secured the passage of an existing law which put an end to the perpetration of commissary frauds through the medium of balanced bids.

From Philadelphia I was transferred once more to duty as fleet paymaster (and chief commissary officer) of the battle fleet, where I continued during

my entire cruise to study every phase of practical subsistence for the purpose not alone of protecting the financial interests of the United States, but also for the purpose of securing for the fleet at all times adequate and wholly satisfactory subsistence. From the fleet I came direct to Washington, where on the 1st day of July, 1914, I assumed the duties of Chief of the Bureau of Supplies and Accounts, one of the most important functions of which is administrative control of the commissary question throughout the Naval Establishment.

As an evidence that my heart is still in the fleet and that my interest in this most important question is as keen now as it ever was, I would invite your attention to the following intrabureau order 202, issued by me this day:

"Particular attention is invited to the following paragraphs, quoted from intrabureau orders 33 and 52 of 25 September, 1914, and 10 November, 1914, respectively:

"Because adequate and satisfactory subsistence is the very foundation not only of real efficiency, but of discipline itself, there is no class of purchases for the naval service that needs to be more constantly watched than provisions; our men being no 'poison squad,' but human beings and American citizens, for whom we stand in the relation of trustee in so far as relates to the question of food. It is therefore directed that every effort to try on the Navy any experiments or tests of any food product whatever shall be promptly suppressed.

"No provisions will under any circumstances whatever be accepted if there be the least question as to purity or nutritive value, it being constantly borne in mind that doubtful food is bad food and will be treated as such.

"These orders were promulgated in peace time to keep the men contented and in the best possible physical condition against the time when the Navy might be put to the test. That time is now at hand; and it becomes imperatively necessary that the greatest care be exercised by all concerned to the end that food prepared for the Navy shall comply in every particular with the very letter of the specifications as determined by rigid and inflexible inspection.

"The Surgeon General of the Navy has repeatedly stated and the people of the United States confidently believe that the American Navy is the best-fed body of men in the world.

"The only way to continue to deserve that confidence is to watch every ounce of food that is delivered and to unconditionally reject anything concerning which there could be the least possible question."

Having asked (and, I hope, obtained) your kindly indulgence for the period of the preceding somewhat prolonged introductory paragraph, I am going to ask as a further favor that you please permit me now to depart from the stereotyped style of official correspondence and finish this letter in about the same language that would be used if it were my good fortune to be talking to you face to face.

What is it that the "poultry dealers are coming to the committee" with?

A proposition that the Navy modify its regulations so as to "use part of the large supply and surplus" of their goods "in warehouses in Boston, New York, Buffalo, Chicago, St. Louis, and as far west as San Francisco, that the red meats may be conserved for future use for both the Army and Navy at home and abroad."

Why should the red meats be conserved when poultry is so plentiful?

Is it not, in fact, because there is, as you say, something like five times as much poultry in storage now as there was a year ago; and is not this big over-supply on hand because these same poultry dealers have run the price up so high that it was beyond the average man's purchasing power?

Will not this surplus of poultry disappear just as soon as its price gets down anywhere near what it ought to be; or, stated differently, was it not an expectation of the unearned increment on poultry rather than overdemand for red meats that caused this very large surplus to accumulate?

In so far as the comparative prices are concerned, I have not been able to find where at the present time poultry is cheaper on the average than red meat. Surely, it is a law of supply and demand that poultry will very soon be much lower than it is now if there is such a surplus held in storage, because, unless I am misinformed, there is a legal time limit on how long anybody can keep poultry frozen, and unless I miss my guess, it is much more the time limit than any possible idea of conserving red meats that has caused these poultry people to try to get you to get me to change the Navy Regulations.

As I shall presently endeavor to make plain, I am not prepared to admit that bearing down hard on one kind of meats and easing up on certain others constitutes conservation in fact, but I do say that all our poultry friends need to do is simply to offer their stock for something like the price at which it was held before this surplus began to accumulate and then they will see that the alleged disparity between the visible supply of poultry and red meats will promptly disappear, because the average American citizen can then afford to eat poultry—which, obviously, he can not do now.

If such be not the case, then what little I have read and tried to follow in the way of practical economics was written upside down.

As indicated before, I believe this poultry versus red meat business is all a question of price, not patriotism nor even conservation.

Unless poultry and red meats are entirely interchangeable in their use, then there is nothing for us to talk about. If they are (as I maintain and have always found) but individual items which together go to make up one meat total, then I fail to see where you conserve your supply by simply shifting your daily marketings from one item to another item. I know perfectly well that every time I have been to sea and all the time I have been in control here in Washington, the so-called red meats and the poultry add up to one common meat total in the Navy, which being a fact it makes no practical difference whatever whether you eat poultry one day and red meat six days or vice versa. This I also know: You can not possibly save or conserve your product or aggregate supply by simply shifting over from one kind of meat to another kind of meat. It is a mere matter of arithmetic, and in its simplicity suggests the old saying that "you can not eat your cake and have it, too."

The foregoing refers to normal conditions; that is to say, where all meats are selling at their normal prices and there is no speculation or holdup. In the present instance, however, where so much poultry has been held for higher prices, I realize that it is a question of either using this poultry or having it go to waste, and that the quantity of red meats consumed will be decreased proportionately by the quantity of poultry consumed. But the answer to that is to sell the poultry to the general public at its proper market price and the general public will then to that extent ease down on its consumption of red meats until the surplus poultry is exhausted.

If you get everybody in the United States to not eat any meat (including fowl) one day in the week, you will add just one-seventh to the total available supply. If you would go further and get everybody to really be careful about not cooking or serving more than they reasonably need and then see to it that nothing that can properly be used is thrown away or otherwise wasted, you will find such a saving as will surprise you—far more, I believe, than the present or prospective shortage in anything could possibly call for.

I admit that this suggestion of mine is not based on any concrete figures; but I know, as everybody else knows, that Americans are as wasteful as they are generous—the two qualities, in fact, going hand in hand—and I am willing to stake my professional reputation as an experienced commissary officer that the statement I have made to you is absolutely sound.

In so far as pertains to the possibility of changing the Navy Regulations so as to make a market for the surplus poultry, I certainly will do no such thing, unless, of course, so directed by competent authority. The Navy ration has been established along entirely different lines and can not, in my opinion, be suddenly changed on any such grounds.

Were it not so, however, and were the whole progress of Navy subsistence to be modified from time to time at the suggestion of individual interests, such modification could have but little effect on the market in general, for the very good reason that the 200,000 persons enlisted and commissioned in the naval service constitute but a scant one-half of 1 per cent of the total population of the United States.

In connection with the subject matter of your letter and with special reference to the kindred question of conserving vegetables, I think you will be interested to read the following quotation from a memorandum submitted to me (by request) by the officer in the Bureau of Supplies and Accounts who, under my general direction, has immediate charge of the administration of the Commissary Department of the Navy:

"Much is heard these days about the conserving of food and articles are appearing in the various newspapers in which the dehydration method is being

urged as a means of conserving fresh vegetables, with particular reference to Irish potatoes.

"If fresh vegetables are being wasted because they spoil before they can be used, it must be because the supply is greatly in excess of the demand, and yet during the past year the price of potatoes rose to above 5 cents a pound, of onions to about 7 cents, and of cabbage to nearly 10 cents. These prices, if they are bona fide and based as they should be on the law of supply and demand, would indicate that the supply of these vegetables was far below the demand therefor—which being the case, there would appear to be no vegetables of last year's crop left to dehydrate.

"When it is realized that the usual price of the three items of vegetables mentioned is in the neighborhood of 2 cents a pound, it will be seen that were the high prices of last year actually caused by short crops there must be a great increase in the size of the crops this year to bring the prices down to normal and to what the average consumer can afford to pay for them. Conservation of this year's potato crop by dehydration would not, therefore, seem to be necessary; and the only conclusion that can be drawn is that the high prices which prevailed last year were due not a shortage in the supply, but to the fact that large quantities of vegetables were being held for the sake of obtaining high prices and that the prices were so high that the people in ordinary circumstances could not afford to buy them. Consequently large quantities of these items were left on the hands of the speculators when this year's crops began to come in, and in order to avoid loss by the deterioration of last year's crop, they now wish to dehydrate the remainder and foist them on the Army and Navy.

"Just why they pick the Army and Navy is not known, as it would seem that were the dehydrated vegetables all that is claimed for them (by the manufacturers, of course) they would be in such demand by the general public that there would be little left to sell to the Army and Navy.

"In nearly all the articles that appear regarding dehydration of vegetables severe criticism is directed at the Government departments, one of the articles which appeared very recently stating that 'the dehydrators have no organization at Washington, but the bailiwick of the canners is located within speaking distance of the Department of Agriculture. Former high officials of the Department of Agriculture are now in the employ of the canners.' The same article contains the statement that 'Army and Navy officials have gone even a step further and have actually lied about dehydrated products, notwithstanding the enthusiastic reports concerning the merits of these products which confront them in the hidden files of the War Department.'

"The writer of the article (whose connection with the dehydrators is not stated) goes on to say, however, that 'for two years, up at the Willard Hospital for the Insane, at Willard, N. Y., dehydration has been practiced on an extensive scale'; and that he recently ate dinner in the almshouse at East View, where on the table were placed dehydrated products which had been produced at Willard with the assistance of homemade devices and which had converted what would have been refuse into the most wholesome, nutritious, and delicious of foodstuffs. All of which goes to show only that lunatics dehydrate vegetables and paupers eat them.

"It is very clear from the insistent demand of the manufacturers of certain dehydrated products, and the lengths to which they have gone to force their products upon the Army and Navy, that they realize there is not sufficient merit in their products to insure their sale to the general public, and that therefore their only hope of obtaining a market is to force them on the Army and Navy. Meanwhile, however, the responsible officials hold, and will continue to hold, the view that anyone who wants to 'try it on the dog' will find that the Army and Navy are not the dogs they are looking for, that the men in the service of the United States are no polson squad, and that the food served to them will be in general of the same variety and of the same or better quality than that which is found in the average home in this country.

"That this is true of the Navy at least is shown by the testimony of the Surgeon General, whose duty it is to care for the health and comfort of the enlisted personnel, but who is in no way connected with the purchase or furnishing of subsistence supplies, who stated in a letter to the Paymaster General, written in 1915:

"The medical officers of our service submit on the 1st of January of each year an annual sanitary report containing information on all items bearing

on the well-being of the personnel aboard ship, including, of course, observations on subsistence and the general messing system on their respective vessels.

"It has seemed to me that it would be of interest to you to know the uniformly commendatory character of these observations as regards your department. I will therefore quote, somewhat at length, but by no means fully, from various reports as follows:

"The Navy ration as supplied on board this vessel is exceptionally good, and the freedom from complaint by the members of the crew with regard to the quantity and quality of the food is remarkable."

"The Navy ration has been of excellent quality and well prepared. The general mess system has been appreciated by the crew."

"The feeding of the crew and expeditionary force by the commissary officer was most commendable. Rarely has the medical officer seen men live as well under every condition."

"The ration as supplied by the Pay Department is always of excellent quality and sufficient quantity and is served in a highly acceptable manner."

"The food supply, both fresh and dry provisions, received in various ports visited, has been of excellent quality, the preparation has been satisfactory and there has always been an abundance served."

And again in a letter dated August 29, 1916:

"I was prompted last year to write you a letter advising you concerning the excellent opinion expressed by the medical officers of our service on the work of your department and on the quality of your ration. I gave you a few samples of the many commendatory paragraphs of this tenor excerpted from annual sanitary reports. The reports of this year have been even more favorable, and I would repeat them here were it not that the repetition might seem monotonous. I can assure you, however, that no navy in the world is as well fed, as well clothed, its general welfare so thoroughly looked out for as that of the United States; and I am glad to offer you and the entire personnel of your corps my heartiest congratulations for the large share you have had in producing this well-being and its resultant contentment.

"In answer to the argument that we shall need particularly large quantities of potatoes for our forces abroad (and this is the main item in which the dehydrators are interested, owing to the quantities purchased), the following is quoted from a recent official dispatch received from Vice Admiral Sims in London:

"Do not ship potatoes unless requested. They are readily obtainable in Ireland. Less than United States prices."

"In February of this year the Paymaster General of the Navy undertook to draft legislation aimed to make it a crime for anybody to hold food on storage unreasonably long.

"But before so doing he had two of his officers take up the matter with an official in another department who was known to be an expert along such lines, who stated that he would not advance any information whatever with regard to the proposition, as he considered that it was basically wrong—there being no vestige of proof so far as he had been able to ascertain that there was any combination in restraint of trade in so far as food products were concerned. This official went on to say that in most cases nature provided a limit to the length of time that the various commodities could be kept in storage. He cited, for example, the item of potatoes, which were planted only at a certain time, gathered at a certain time, and could be kept only for a certain length of time, and stated that any effort of material importance to hold this stock would result in certain loss. This would seem to be exactly what is the cause of the present efforts to conserve the vegetable supply by dehydration.

"He cited figures to show that the supply of eggs in storage in February of this year was only one-fourth as large as in February of last year, and yet just at this time the papers were full of reports about the large quantities of eggs being held in storage—one man in particular being reported as having an enormous quantity. It would seem quite possible, therefore, that the information upon which his figures were based was incorrect."

In order that the purpose of the proposed food bill referred to in the above-quoted memorandum may be perfectly well understood I want to quote verbatim my own memorandum of February 24, 1917, which I furnished my two officers to whom I assigned the duty of finding a way to lower the unduly high prices of the Navy ration components at that time (which memorandum was written, of course, before I was talked out of pushing the matter further):

570 INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

"The Washington Post, February 22, shows that certain staple articles of food now cost more in the United States than they do in Italy and that the prices of a number of staples are higher here now than they were in 1864, just prior to the close of the Civil War.

"This is a condition for which I think heavy exportation and railroad embargoes and other normal causes do not fully account; so much so, in fact, that I have a hunch that manipulators and speculators are holding back the food supply and penalizing the ultimate consumer, thus working a very real hardship on everybody, but most especially on people who work for a fixed salary and who are therefore in the position of practically being paid with and having to live from a depreciated currency. This hits the Government clerks harder than anybody else.

"To the end, therefore, that we may have a clean showdown, and especially that the cost of the Navy ration may not be permitted to jump any higher than may properly be the case in response to the orderly workings of the principle of supply and demand, and in general so that the poor man everywhere may have a chance to come as near living as is possible, it is my purpose to cause to be introduced at the first possible moment an amendment to the general deficiency bill hitting at the men who hold back on the necessities of life, waiting for an even more inflated price than they get now.

"If I am mistaken and if there be any real reason for the present enormously high prices of food, then nobody can be done any harm by trying to knock the props out from under the manipulators and speculators. If, on the other hand, somebody is attempting to enrich himself at the expense of the general public, and particularly the workingman, then I take it that the mere introduction in Congress of a very drastic and far-reaching penal proposition like the one I have in mind will have such a prompt and far-reaching moral effect that the prices of foodstuffs will drop perceptibly within 24 hours.

"In any event, it seems to me that the situation is a very grave one and that something ought to be done at once."

In general (and, as my learned friend the Judge Advocate General of the Navy would say, "subject to the foregoing remarks"), I am for conservation just as soon as anybody asks as to conserve his product by buying the other man's. Thus far I have not heard of any such proposition coming from any interested party—not even a poultry dealer.

Yours, faithfully,

McGOWAN,
Paymaster General of the Navy.

REPORT BY CERTAIN MEMBERS OF THE LIVE STOCK INDUSTRY COMMITTEE.

[Submitted to Mr. Hoover Sept. 18, 1917.]

The undersigned members of the Live Stock Industry Committee, having been called to the office of the Food Administration and having been asked to consider the suggested terms for licensing the packers and to present a constructive program for stimulating live-stock production, beg to submit the following:

We assume that the purpose of the Food Administration in licensing the packers is to enable the Government to exercise a direct influence on the prices paid the producer for the live stock and the prices paid by the consumer for animal products, to the end that both may be protected so far as practicable under existing war conditions, and that in the purchase and slaughter of live stock and the distribution and sale of meats and animal products the packers may not make unreasonable profits. The license arrangement, therefore, must be such as will give both producers and consumers assurance that the control by the Government is actual and not merely perfunctory. Rules governing it should provide:

1. For a system of accounting with the individual plants which will make it possible to determine their actual profits.

2. A system of uniform daily and periodical reports from all the plants which will show the amount and kinds of animal products on hand, the number, weight, the kinds of live stock slaughtered, the sales of meat and animal products; the prices paid for the live stock and the prices received for meats and animal products; the amounts received for by-products and their destination; and such other information as may be necessary to give comprehensive

knowledge of the business. All such reports and information to be checked by the Government, and given to the public as nearly contemporaneously as possible with the transactions to which it relates.

3. Limitation of packers' profits to a reasonable amount, based as nearly as possible on the capital invested, the method to be determined in the most practical way by competent experts, keeping in mind the desirability of reducing the incentive to unduly influence the prices paid for live stock or the prices received for the products, and giving the packers a fair manufacturing profit, and no more. Such fair profits we believe will be satisfactory to the producers and to the consumers.

Referring to rule 2, suggested by the packers, we are of the opinion that an annual net profit of 3 per cent on the total annual sales of the products mentioned is greater than is necessary or justified.

We believe the adoption of the foregoing will incidentally tend to increase production in so far as it may result in the establishment of fairer conditions at the live-stock markets, and that under the normal operation of economic forces both production and prices would adjust themselves in a reasonable length of time. It is true, however, that in time of war the trend of grain prices is usually unfavorable to the feeding of grains to live stock and for this reason increased production to cover shortage does not come as quickly as under peace conditions.

We are informed by the Food Administration that the normal operation of the economic forces is to be modified in the following particulars:

- (a) By Government control of exports from the United States.
- (b) By such control of prices as may be found appropriate and practicable for the protection of the consumer.
- (c) By the centralized purchase of large quantities of meat and animal products by our own Government and by other Governments for military and civilian purposes.

(d) By the necessity of an immediate and extraordinary increase of production in the interests of the consumer and the successful conduct of the war.

Such measures as these make necessary something more than the mere licensing of the packers; and compel giving assurances to the producers which would otherwise be unnecessary. It is our belief that in connection with such licensing the following suggestions are worthy of your consideration:

(1) The Food Administration should see to it that all meats and animal products for the United States and our allies will be bought at prices which shall fully cover the cost of production and manufacture, and make certain that such a profit shall be realized by the producer as will stimulate whatever abnormal production it deems essential; bearing in mind that no great increase in production can be brought about unless the average small farmer and feeder of live stock can be assured that under his conditions, now made more difficult by the effect of the war upon labor, feed, and other matters, he will receive a reasonable profit on the increased production he is urged to make.

(2) Cows are usually bred to calve in the spring and early summer. Next summer's crop of beef calves can not be economically finished for market until the fall of 1919 and the winter of 1919-20. An increase in the amount of beef during the next year must therefore come from the cattle of marketable or feeding age during that period. If the survey of the probable supply indicates that it will not be sufficient to meet the needs of ourselves and our allies we believe it would be possible to increase the supply of fattened cattle by making contracts with feeders to furnish specified numbers of fattened steers each month at prices which would be known and agreed upon at the time the contracts were made. It is not safe to depend upon existing statistics on the number of cattle in the feed lots or to go in during the next three months. A special inquiry should be made, directed to the feeders, who can be located through the commission houses.

(3) Hogs are finished for market at from 6 to 12 months of age. In the corn belt States most of the pigs come in March, April, and May. The pigs from sows bred this winter will therefore come on the market beginning next September or October. During the past 6 to 9 months the relation between the price of hogs and the cost of production has caused the marketing of hogs at weights much lighter than usual, and also the marketing of large numbers of brood sows. Because of the high price of corn and the relatively lower price of hogs, corn has been fed more sparingly than usual to last spring's crop of pigs, and they are much lighter than usual at this season. Any increase in the amount of pork and pork products during the next six

months must come either from the further marketing of brood sows. (which would tend to reduce the pig crop) or heavier weights than is usually found profitable. An assured price premium for prime heavy hogs would probably result in a substantial increase in the number of pounds of live hogs marketed during the next six months. The number of hogs to be marketed during that period can not be increased, but the total weight might be increased very much should the feeders be guaranteed the cost of making it.

During the next five months the price of hogs at the central markets should under no circumstances be permitted to go below the cost of production as measured in the value of the corn fed.

The number of sows bred to farrow next spring can be considerably increased if the producer can be assured that the pigs when fattened for market shall sell for prices which will fully cover the cost of production plus a reasonable profit.

To carry out the foregoing, the following are suggested:

(a) Arrangement through the Food Administration of a Government guaranty that the price of next spring's pig crop shall not fall below the actual cost of production plus a reasonable profit. Said guaranty to cover the fat hogs marketed between August 1, 1918, and April 1, 1919.

(b) If a marked increase in the production of cattle and sheep during the next few years is essential, and if a sufficient market is assured, a similar guaranty to the producer of cost of production plus a reasonable profit will bring about such increase.

(c) Control of the practices of the commission merchants and traders at the central markets, including their charges for selling live stock.

(d) An investigation of the ownership, control, and operation of the various public stockyards at the market centers, and the inauguration of such regulatory measures as may seem necessary.

(e) Provision in the rules governing the packers which shall enforce their compliance with the foregoing policies as to prices and other matters which affect them.

(f) These recommendations are made with the understanding that no action will be taken to influence the price of corn or other grains fed to live stock.

(g) In the creation of the machinery which may be necessary to put these recommendations into effect, it must be kept in mind as a prime essential that it must be of such a character as to secure and retain the confidence of the producer.

We also recommend the establishment in the principal consuming centers of public retail markets operated by the Government, or by private agents under public supervision, at which the consumer who pays cash and does his own delivering may buy meats and animal food products at the actual wholesale cost, plus a small fixed profit. Enough such markets should be established to accomplish what can be done in this way to stabilize prices to the consumer.

To those who do not understand the seriousness of the situation as to meat supplies the foregoing recommendation may seem to overemphasize the importance of assuring a profit to the producer. We remind all such that such assurance is needed, if production is to be stimulated to the extent the Food Administration thinks necessary. If prices for live stock are below the cost of production, an increase in meat supplies can not be hoped for.

LETTER FROM THE PRESIDENT OF THE NATIONAL MILK PRODUCERS' FEDERATION TO
HERBERT HOOVER.

WASHINGTON, D. C., November 21, 1917.

Mr. HERBERT C. HOOVER,
United States Food Administrator,
Washington, D. C.

SIR: On November 8 the following order was made by the War Trade Board, purporting to have been made at the request of the United States Food Administration:

"The War Trade Board, at the request of the United States Food Administration, on November 8, 1918, announced the following additional regulation to govern the exportation of condensed milk:

"No license shall be granted for the export of condensed, canned, powdered, or other form of preserved milk, unless there shall have been filed with the Bureau of Exports a certificate of the manufacturer stating that such milk has been sold directly to the exporter and for export purposes; or unless com-

pliance shall be had with such other regulations as may be determined by the Food Administration.

"In order to secure a license the exporting concern must procure from the manufacturers and file with the War Trade Board a certificate setting forth that the milk was sold direct to the exporter and for export purposes, and that the raw milk from which the finished product was made was purchased at prices no higher than the prices paid by other buyers in the territory in which the milk manufacturer's plant is situated.

"The object of the certificate from the manufacturer is to discourage the operations of speculators who have been purchasing from the retail stores the brands of milk which the manufacturer has set apart for distribution to the American public. The operations of these speculators has created a false condition of the market, and the United States Food Administration has felt that if the exportation of canned milk could be controlled by the manufacturer the true export demand and the real demand for home consumption could be accurately determined, and a distribution made of such surplus to our allies for civilian as well as military purposes.

"A large number of applications for license to export condensed milk have been held for consideration by the Bureau of Exports, and these will now be returned to the applicants with the request to reenter the applications when certificates have been obtained from the manufacturers of the brands sought to be exported."

These requirements, accompanying the above order, I desire personally and in a representative capacity, as president of the National Milk Producers' Association, to most respectfully but earnestly protest.

In stating reasons for such protest there are some fundamental facts to be considered:

First. The greatest and most important of these at this time is the one that calls for the sacrifice and patriotism of all classes of citizenship in the prosecution of the war.

For months the milk producers of the country have been waiting upon an independent investigating commission of the Food Administration for a report upon the cost of producing milk. Every request of the Food Administration, and of the commission so appointed, has been complied with by the producers, and they have many times, through their representatives, offered to produce and sell their product at cost, plus such reasonable profit as the Food Administration should find proper. Such report has been anxiously awaited but has not yet been made. We are not disposed to criticize the Food Administration nor the commission at this time for such delay, although great embarrassment to the milk producers of the country has been caused thereby.

Investigations are now in progress in the cities of New York, Chicago, and elsewhere that will undoubtedly fix for a time the prices to be paid to producers for milk within the zones surrounding such cities and wisely influence outside prices. The Food Administration has been instrumental in starting these inquiries at which all parties in interest may be heard.

Second. The condensories (canners) are organized into an association known as the "Canners' Association of the United States," and as such the Government deals with them collectively in Government purchases of condensed, evaporated, and powdered milk. While these condensories that buy the farmers' milk are organized, and as such are recognized by the Government in the sale of their product, the farmers whose milk is thus being sold are not allowed such privileges or immunities without threatened prosecution.

Third. There are more than 400 factories manufacturing condensed, evaporated, and powdered milk in the United States. There are no two of these factories competing with each other in the purchase of the farmers' milk. No two of them are in the same town or milk factory. If they have competition, it is with butter and cheese makers or with distributors for towns and cities.

Fourth. These condensories are chiefly located outside the zones supplying larger cities with milk and have been induced to located where they are for the express purpose of affording the farmer a fair market for his milk.

Fifth. Milk is the most perishable of all farm products and does not permit the farmer to store, ship, or wait for a more favorable market, a right and privilege enjoyed by every other industry.

Sixth. The 400 condensories have an approximate valuation of \$20,000,000. The 6,000,000 milk producers, with 22,000 cows, have an investment in their herds of not less than \$1,600,000,000, and an actual investment in the building and equipment for their housing and cars. If the condensory, butter, or cheese

factory close to-day, it may open again in a week or month hence. If the herds be sent to the butcher, it will require a decade to return them.

The cows cost the farmer nearly, or quite, \$150 per year for feed and care and can not be kept idle. Four hundred condensories are guaranteed cost and profit. The six millions of milk producers, with their \$3,200,000,000 of investment, are not only producing without guaranty, but are threatened with prosecution when they organize to deal collectively, and now are faced with a governmental order denying to them a competitive market. In other words, they seem to be made the buffers of the industry, backed up against the unyielding rocks—the advancing cost of production.

WHY WE PROTEST.

(1) The requirements accompanying the order are un-American. The sole purpose of legislators, Federal and State, has been to leave open the field of competition and not to restrict the same. These requirements made of the condensory, which seeks to export its milk, restrict the condensory in the matter of price, and deny to the farmer a competitive market.

(2) They take from both the farmer and the condensory the right of contract, but fix a maximum price that the condensory can pay to the farmer for his milk. Such maximum price is not one made by the Government, nor by any agency of the Government, but is one that may be conjured and collusively made in any one of the 400 localities where these condensories exist.

(3) These requirements provide that the condensory must purchase "at a price no higher than the prices paid by other buyers in the territory in which the milk manufacturer's plant is situated." Nothing is said in these requirements about the meaning of this clause. Does it mean the average price paid by other owners? Does it mean the maximum price paid by other buyers or the minimum paid? Who is to construe this clause? What agencies are to finally determine its meaning?

(4) The effect of these requirements will be to permit the Cannery Association of the United States to fix any price they please for the farmer's milk in localities where these condensories are located and to support their position by and through the authority of the Food Administration. Neither the order nor the requirements attending undertake to fix the price that the exporter shall charge for the manufactured product. They merely require that he shall buy his raw milk at a minimum price, leaving the cannery association a wider field for profits.

(5) The explanatory statement accompanying the order is an elusive fiction. It purports to be made for the purpose of preventing speculation in manufactured milk and to protect the consuming American public. An analysis of the order and requirements will prove that its effect will be exactly the opposite. Had the purpose of the order been as explained, then the order of the War Trade Board with its additional requirements would have been complete, but providing that only manufacturers could export their product. Speculation in canned milk for export purposes could have been prevented without these oppressive restrictions bearing solely and alone on the milk producers of the country.

(6) If one condensory, seeking to export its products, is compelled to buy at no higher price than is paid by other buyers it must nevertheless buy all of its milk at this low price. No condensory can pay one price for milk for export and another price for home consumption. If one condensory in the country thus buys its milk cheaper than another condensory, it forces every other condensory in the country to this low price in self-defense. In other words, it no longer leaves the price to be paid the farmers for condensed milk anywhere in the country as a matter of contract between the farmer and the condensory, but to the dictation of whatever irresponsible bidders there may chance to be in the neighborhood where the condensory is located. This rule would make it possible for the great interests controlling the condensories of the country to quickly and easily control the localities where these condensories exist, under this governmental regulation, practically destroying all competition between condensories.

We therefore earnestly request that the Food Administration reconsider the request made upon the War Trade Board, or that the requirements accompanying said order be so amended and changed as to eliminate any reference to the prices to be paid to the farmer for his milk, or that the Food Administration fix a minimum price to be paid to the farmer, or that it establish

an agency before whom the farmers as well as the condensories may be heard in the fixation of a price to be paid for raw milk, or that in the certificate so required of the manufacturer he shall be compelled to state that he has paid to the farmer the cost of production of milk in the locality where the condensory is located, plus a reasonable profit, or a price equivalent to but not more than the price paid for raw milk in the territory supplying the larger cities of the country, or a price equivalent to but not more than the price to the producers of milk in the territory supplying the cities of New York and Chicago, or either one of said cities nearest to the condensory.

Again assuring you that the milk producers of the country are ready to abide by any reasonable rules or regulations that may be made by the Government or its constituted authorities, that they stand ready to perform any and every patriotic duty, and only ask for such consideration as is given to every other industry in the country, I am, most respectfully,

Your obedient servant,

(Signed) MILO D. CAMPBELL,
President National Milk Producers' Federation.

EXCERPT FROM TESTIMONY OF WALTER M. TWOMBLY IN EX PARTE INVESTIGATION OF MEAT PACKERS, BEFORE THE FEDERAL TRADE COMMISSION, WASHINGTON, D. C., JANUARY 26, 1918, SHOWING PERCENTAGES ON WHICH THE LIVE STOCK OF THE UNITED STATES IS APPORTIONED AMONG THE LARGE PACKERS.

MR. HENY. * * * These proportions of the National Packing Co. are referred to by this index.

A. Yes, sir.

Q. And the first small sheet there contains on it, what?

A. The first small sheet reads, in pencil—that is, there was something at the top of it which is scratched out. This is the original, which was found, and I can not read that. The first that shows is "HAC. Can you give me Nat. P. Co. percentages?"—National Packing Co. percentages.

This was written by Mr. Edward F. Swift, the handwriting being identified by Mr. John M. Chaplin, who has been with Swift & Co. for a great many years.

Q. You personally asked him that?

A. I asked him about it.

Q. Who is HAC?

A. H. A. Chetham, one of Mr. Edward F. Swift's private bookkeepers, who looked after his very private matters. This sheet reads: "HAC. Can you give me Nat. P. Co. percentage?"

And then: "A & Co." Evidently "A. & Co." was afterwards scratched out in pencil.

And, then, on the side is: "A. & Co., 40.11; S & Co., 46.70; and M. & Co., 13.19"; and those are added up, figuring "100.00 HAC." Those were in the first National Packing Co. percentages.

Q. And Mr. Chaplin said he had put them down there, did he?

A. No.

Q. Did he say that it was his handwriting?

A. No. He identified this question: "Can you give me Nat. P. Co. percentage," as being in Mr. Edward F. Swift's handwriting; and he said he thought that the "A. & Co., 40.11; S. & Co., 46.70; and M. & Co., 13.19," adding up "100.00," signed "HAC.," were probably in the handwriting of Mr. Chetham.

Q. Who is Chetham?

A. One of Mr. Edward F. Swift's confidential bookkeepers.

Q. He is employed in the president's office?

MR. HENY. Mr. Commissioner, these are the same percentages that were shown at their trial in Chicago to have been the percentages of the National Packing Corporation. The National Packing Corporation was dissolved in the year 1912—in August, 1912, it was started, but it was completed during the year 1912—toward the end of the year.

In dividing up the property, the records show they did not turn back to Swift & Co. all of the different plants that had been purchased by Swift & Co., nor to Armour & Co. those purchased by Armour & Co., nor to Morris & Co. those purchased by Morris & Co. But they evidently turned back, or they evidently turned over to Swift & Co., to Armour & Co., and to Morris & Co. plants which would enable Swift & Co., Armour & Co., and Morris & Co. to retain the percentage of business in each particular city where those plants

were located, which they had enjoyed under the National Packing Co. incorporation. Do you get my idea?

Commissioner MURDOCK. Yes.

Mr. HENRY. For instance, Edward Tilden had purchased a large number of shares of stock, something like 33 $\frac{1}{3}$ per cent, of the S. & S. Co. (Swarzschild & Sulzberger), which is now Wilson & Co. They purchased it from Frederick Joseph, who was the vice president, and Samuel Weil, who was the brother-in-law of Sulzberger.

Edward Tilden had also, through Frederick Joseph, purchased a controlling interest in the New York Dressed Meat Co., which was a concern composed of a lot of independent slaughterers, who had gotten together and put up quite a fine plant, and Joseph had represented he wanted it for himself, and it was taken in his name. Edward Tilden was then president of the National Packing Co. and furnished the money. I will show this by records that we have in our possession now.

When the division took place Armour & Co. were given interest in that company, and Swift & Co. were given stock in the S. & S. Co., and they continued to be heavy stockholders in there ever since, even up to the present time.

Commissioner MURDOCK. Have you any knowledge at all upon what these different percentages were based? Why 40.11 in one case and 46.70 in the other?

Mr. HENRY. Yes.

Peace was declared on the map, as it then stood, without any annexations. In other words, at the time they entered into the agreement apparently each one was to retain what he had in the different territories, and certain territory was left open to competition to acquire, and if one acquired an independent plant he got that much additional right to a larger percentage. That seems to be still going on.

I would like now to take up this second sheet, because my conception of this is that after the National Packing Co. was done away with, early in 1913, or at the end of 1912, the new arrangement was made by which Cudahy and the S. & S. Co. were brought in. They were not in the National Packing Co. They were brought in on a new basis now, and a percentage was agreed upon which is still in existence, been in full force during 1913, 1914, 1915, 1916, and 1917, as we will see by their own records; and that it covers the purchase of cattle, sheep, hogs, and calves throughout the entire United States, including even the country buying.

Q. Mr. Twombly, will you explain that second sheet?

A. On the second sheet, which is written on a sort of loose office tabulating sheet, are the figures 45,000, without the dollar sign, but evidently \$45,000, because there are two "0's" and the nought mark under it, and that appears three times. Just what significance those have, I do not know.

On the left hand I find:

"A 29.26

S 35.75

M 14.98

S & S 10.00

Cudahy 10.00"

and a line drawn and the addition evidently was made as 99.99, which it adds, but in rather heavier pencil is written "100.00." The total was 99.99, but they have made it 100. That is made 100 per cent more evenly when the figures are carried to the third decimal place on some other papers here.

This whole thing is bracketed that I have just read, and up at the top is an equality sign and "100%" "= of 100%."

Under that is "%."

Under that is: "= live buyers."

Over on the right there are some more figures. The first one, opposite "A," meaning Armour & Co., "36.58"; opposite "S" is "44.69," and opposite "M" is "18.73." Those three added together make 100 per cent.

Q. Will you tell the commissioners whether you had any talk about this with anything connected with Swift & Co., and if so, what the talk was?

A. After I had found this sheet and some other papers, I came down from the vault and Mr. Chaplin, having come in the room where I was, I put that thing on the top with some other papers, and I asked him what he thought about it. He said, "I don't know what it means; I have no idea." He could not tell me anything about it at all. Then Mr. C. Stephenson, who is Mr. Edward F. Swift's confidential man, came into the room. He saw this same sheet, and because our relations had been rather friendly, and at time a little jocose,

he picked it up and said, "Well, Twombly, what have you found? Have you found something?" I said, "I don't know. Have I?" He said, "No. You are a good fellow, Twombly; just forget it; nothing to it; to hell with it."

Mr. HENEY. I only state now, Mr. Commissioner, what we will show, so that you will see the significance of the testimony as it is produced.

From early in 1915, and for the years 1913, 1914, 1915, 1916, and 1917, the purchases all over the United States have been in that exact proportion, as closely as could be gotten, including, as I say, the country buying.

We will show, in addition to that, by their own records, that when they incur joint expenses, such as in opposition to the Borland resolution, that they divide the expense in exactly these proportions on this second sheet.

We will show, in addition to that, by letters and correspondence taken from their files that there is not any question about this understanding, and I would like to call the attention of the commission to the fact that these papers have every evidence of the age which we are giving to them.

Commissioner MURDOCK. Do you think in case the packers wanted to beat a man for Congress in Missouri for instance, Kansas or Iowa, and they contributed \$1,000 for that purpose, that Armour would be shown to have paid 29.26 per cent, and Swift 35.75 per cent, and Morris 14.98 per cent, S. & S. 10 per cent, and Cudahy 10 per cent?

Mr. HENEY. You will notice there is 1 per cent missing there. They have taken care of that 1 per cent, and the division is really this way: Armour, 29.266; Cudahy, 10; Morris, 14.983; Swift, 35.751; Wilson, 10; total, 100.

Commissioner MURDOCK. That is, they brought in that extra 1 per cent by extending the decimal point?

Mr. HENEY. Yes. On Wilson's files we find this sheet: "Rate percentage"—and this is a photostat of the original:

| | |
|----|--------|
| "A | 292.66 |
| S | 357.51 |
| M | 149.83 |
| W | 100.00 |
| C | 100.00 |

Total 1000.00

Commissioner MURDOCK. You can not appreciate this unless you see the actual document itself, because very apparently these different percentages are a per cent of 100 per cent of buyers.

Mr. HENEY. Yes.

Commissioner MURDOCK. It shows there and it does not show here.

Mr. HENEY. Here is the Wilson Co. sheet.

Commissioner MURDOCK. They did not let Cudahy in on that, though.

Mr. HENEY. There are certain things that Cudahy does not get in on. I think it is important to understand this: There are certain places in the United States where the division of purchase by Armour and Swift is 50-50. Cudahy is in on this "C-100," you know.

Commissioner MURDOCK. But when they came to dividing that 1 per cent he did not get in on that.

Mr. HENEY. No; he did not get in on that. There are certain places, for instance, where only Armour and Swift have plants. They got in there first and when peace was declared the territory all belonged to them and the others do not buy at all and they buy 50-50. Now, any expense that is limited to that particular point would be divided 50-50. The others not being interested in it, it would be divided 50-50 between them; but anything that involves the whole situation would be divided according to the percentages that appear here.

In connection with that I want to read a letter from Swift & Co. files, dated July 27, 1916:

Mr. T. E. WILSON,
Care Sultzberger & Sons Co., Chicago.

"DEAR SIR: Referring to matter discussed at meeting at Mr. Meeker's office this morning—

That is Meeker, of Armour & Co.

"Referring to matter discussed at meeting at Meeker's office this morning, M"—

Meaning Morris—

"is willing to join with the others in the event of a certain contingency. If such contingency happens favorably he will then come in, but will not come in

578 INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

until the contingency has happened or until the time for it to happen has passed. C"—

Which is Cudahy—

"Is to let us know next week what their position is."

You will recollect I read some correspondence showing that about this date they asked Cudahy to come in because his attorney had influential acquaintances in Washington.

Commissioner MURDOCK. That is Mr. Creigh?

Mr. HENEY. Yes.

"I inclose memorandum which shows (1st) percentages and distribution if all come in; (2d) the percentages and distribution without C; (3d) the percentages and distribution without M and without C; it being understood that of C comes in a refund will be made to the parties who have come in, and, if the contingency happens in our favor, upon which M will come in, a refund will be made to the parties who previously have come in.

"Please send me check for the amount shown on statement No. 3.

"Sincerely, yours,

" HENRY VEEDER.

HV/NA"

That is to T. E. Wilson. The statement appears:

"1st."—That is, where they all come in—

| | Per cent. | Amount. |
|--------|-----------|------------|
| A..... | 29.266 | \$4,389.90 |

This was going to be a \$15,000 fund to prevent the passage of the Borland resolution. That is for the publicity end of it, at the end there—I suppose it is publicity; it must have been all publicity—

| | Per cent. | Amount. |
|-------------------------|-----------|------------|
| C..... | 10.000 | \$1,500.00 |
| M..... | 14.983 | 2,247.45 |
| S [which is Swift]..... | 35.751 | 5,362.65 |
| W [Wilson]..... | 10.000 | 1,500.00 |
| Total..... | 100.000 | 15,000.00 |

Then, "2d."—That is, with Cudahy out—

| | Per cent. | Amount. |
|------------------|-----------|------------|
| A. [Armour]..... | 32.518 | \$4,877.70 |
| M. [Morris]..... | 16.648 | 2,497.20 |
| S..... | 39.773 | 5,958.45 |
| W..... | 11.111 | 1,666.65 |
| Total..... | 100.000 | 15,000.00 |

"3d."—With Cudahy and Morris both out; Armour, Swift, and Morris in—

| | Per cent. | Amount. |
|------------------|-----------|------------|
| A. [Armour]..... | 39.013 | \$5,851.95 |
| S. [Swift]..... | 47.657 | 7,148.55 |
| W..... | 13.330 | 1,999.50 |
| Total..... | 100.000 | 15,000.00 |

If you will notice the first one, which included them all, the percentages on this second sheet on which they purchased, the files indicate that this is written,

Mr. Twombly says, at least as early as 1914 or 1915, as indicated from the place where it was found in the files.

The WITNESS. The number being given with reference to the filing date, the date which they are filed and not the date of the paper itself. That was a year and a half, at least, before the other thing was made up.

Mr. HENEY. And they we find on January 8, 1917—but I will take that up in a moment. We will find the same percentages in regard to another matter on the Wilson files, another matter entirely, a division of expense of \$1,000 the same way.

Mr. Veeder was attorney for Swift & Co. Mr. Veeder apparently acts as the clearing house on this thing and tells each of them how much he is to pay.

Query: Where did he get his percentages?

And in the "Veeder pool" he was the clearing house and attended to the payment there where one department invaded on the rights of the other by buying more than he should or selling more than he should, checks passing between them, and Veeder's own testimony showed that in one of the trials after the statute of limitations took place the trial took place.

We now have another letter of the same date from Veeder to Mr. Arthur Meeker. That was to Wilson. This one is just the same, exactly, as that one, only he says at the wind-up, "Please send me check for the amount shown on statement No. 3."

By Mr. HENEY:

Q. Mr. Twombly, did you make any effort to find out what those amounts were for, what that expenditure was for, the \$15,000?

A. Yes, sir.

Q. What did you do?

A. The explanation was not forthcoming. I took it up with Mr. William B. Traynor, assistant to the president, in the absence of the president.

Q. President of Swift & Co., you mean?

A. Yes; the president of Swift & Co. He stated that he thought it would be found somewhere, because they were not spending their money without making an entry, but just where such entries were made he did not know, but he would endeavor to find out and let me know, which he failed to do after a whole day.

Mr. HENEY. I want to show another one of the files of Wilson & Co., on the letterhead of the Cudahy Packing Co. This is a photostat copy of the original:

"THE CUDAHY PACKING Co.,

"111 WEST MONROE ST.,

"CHICAGO.

"LEGAL DEPARTMENT

"December 26, 1916.

"DEAR MR. WILSON: Mr. E. A. Cudahy has passed to me, with the request that I answer it, your memorandum of the 20th, attaching letter of Paul D. Cravath, Esq."—

Paul D. Cravath is a New York lawyer, member of a firm of attorneys for Wilson & Co., and they were attorneys for Sulzberger & Sons Co. prior to that.

"While we are not especially interested in the Webb bill itself, nevertheless we do know Mr. Montague, and will be glad to join with you for our pro rata, which I take it is 10% of the amount suggested by you.

"Yours truly,

"THOMAS CREIGH.

"Mr. THOMAS E. WILSON,

"Chicago, Illinois."

Thomas Creigh is the attorney for Cudahy & Co. and the amount suggested does not appear in this letter, the 10 per cent. I do not know who that Montague may be. There is an attorney by the name of Montague who appears here occasionally. Whether he is the attorney or not I do not know. There is a Congressman by that name from Virginia. I do not know who it refers to.

"Chicago, Dec. 22, 1916.

"Mr. T. E. Willson,"—
A part of the same file—

"U. S. Yards.

"Dear Sir: Answering your note of December 20th, enclosing copy of Mr. Cravath's letter, it will be agreeable to us to pro rate on the proper basis for an expenditure of \$1,000, for the purpose mentioned.

"Yours very truly,

"WILLIAM MEEKER."

That is the \$1,000 in connection with the Webb Bill.

That reference to Montague is Gilbert Montague, because he appeared in connection with the Webb bill, and the Webb bill was a bill which authorized combinations contrary to the Sherman Act, for export.

Commissioner MURDOCK. Gilbert Montague is an attorney of New York City. Is not that right?

Mr. HENRY. Yes.

JANUARY 4, 1917.

Mr. PAUL D. CRAVATH,
52 William Street, New York City.

DEAR SIR: Referring to your letter of December 13, I have taken the matter up with the other interests and have asked them to make a subscription of \$1,000, and have had a favorable reply from all but one.

I will advise you as soon as I hear definitely from that party. I trust this will be entirely agreeable.

Yours, very truly,

Then:

CHICAGO, January 4, 1917.

Mr. EDWARD MORRIS, Jr.,
United States Yards, Chicago.

DEAR EDWARD: Will you kindly refer to my letter of December 20th. I have heard from all the other parties and they are favorable to a joint subscription of \$1,000.

Will you kindly let me know whether this is agreeable to you.

Yours, very truly,

T. E. WILSON.

CHICAGO, January 8, 1917.

Mr. T. E. WILSON,
President Wilson & Co., Chicago, Ill.

DEAR MR. WILSON: Replying to your letter of January 4, we will be glad to join the other parties in the subscription of \$1,000.

Yours,

E. MORRIS, Jr.

At the bottom of that letter, nothing have been said, now, up to the present time in this correspondence about percentages appears this, in lead pencil:

| | | |
|---|-------|---------|
| A | ----- | 32. 518 |
| S | ----- | 89. 723 |
| M | ----- | 16. 648 |
| W | ----- | 11. 111 |

Leaving out Cudahy, those are the same percentages as indicated in that other letter.

Commissioner MURDOCK. Yes.

STATEMENT OF MR. SAMUEL W. TEAGARDEN, FOREST GROVE, MONT.

Mr. TEAGARDEN. My name is Samuel W. Teagarden; residence, Forest Grove, Mont. I am representing the Farmers' Congress, which in turn, is made up of delegates from all the farmers' organizations in the State of Montana.

At the time I started East I did not know of this hearing. I was sent here more particularly with reference to the wheat prices, and the question of primary markets, as covered by the amendment to the agricultural appropriation bill.

That amendment suits us perfectly. We are very much in hopes that Congress will pass that bill with the amendment, and that it will be enforced fairly.

I do feel justified, however, in saying to this committee and putting into the record, that Mr. Lasater's statement here and his criticisms of the Food Administration are indorsed by our farm men and women in Montana, and in the Northwest generally. While they have not had his sources of information, yet during the last year there have crept into the agricultural papers and the associated press reports of these hearings and investigations, and we have heard of them in various ways, as by Members of Congress writing to us; and otherwise have obtained sufficient knowledge of what is going on in the Food Administration to convince us that what had been intended, and what might have been a country-wide beneficence has been turned into a national tragedy. Our farm men and women do not feel that there has been honesty of purpose in the Food Administration from its head to its foot. We believe the facts justify that feeling upon our part.

If I may be permitted briefly to point out a few of the reasons, merely touching the high lights, I will do so:

When the price of grain was originally fixed, the promise was made to us that it would be upon a basis that would stimulate production, and especially of wheat. We were told in advance of our planting season last year to plant every acre of wheat within our possible resources, and that we would be protected in the price.

We planted that wheat, relying upon the good faith of public administration in this country.

Shortly after the Food Administration was inducted into office it began, under Mr. Hoover's direction, a Nation-wide bear raid upon the price of wheat, which resulted in breaking the price from about \$3.05 at Chicago to a final fixation at \$2.20 at Chicago, and about \$1.91 in Montana. In other words, we felt that the assurance which we had of large returns was taken away from us to the extent of at least \$1 a bushel.

Later on, in the matter of hogs, we were urged to grow hogs to the limit of our capacity. A commission appointed by Mr. Hoover, upon which were practical swine growers, recommended a price of \$16 in Chicago, based upon a certain relation to the price of corn. And specifically the commission recommended to Mr. Hoover that a basic price for hogs be fixed at packing places and at points of production generally in the country that would be at least somewhat above the cost of production, to the end that an additional 15 per cent of hog production should be brought about.

But that particular recommendation has been utterly ignored by Mr. Hoover, in spite of our repeated protests from Montana and in spite of the protest of the chairman of our live-stock conservation commission in that State, Dr. Elliott, the chancellor of our State university.

So that in Montana and in western North Dakota and South Dakota and in the sections further on, even close to the Pacific coast, we have

been getting Chicago prices of pork, less freight, less shrinkage, and less commission, taken by local packers in Montana, by the large markets, and by buyers, whether they represented the local packers or the larger packers in the central Mississippi Valley States.

To illustrate that, I will say that on November 26 I sold a 200-pound porker to a hotel at Forest Grove, Mont., and we agreed to take the Lewistown prices. We called up the biggest concern in the city of Lewistown, which has a cold-storage plant and also manufactures the products of pork—bacon, ham, and lard. The price given us was 13 cents a pound, live weight. The next day I read the Chicago price on that same class of pork, and it was from 17.65 cents to 17.85 cents. In other words, I got 4½ cents under the Chicago price; and it cost me more to raise that pig than it would have cost in the territory immediately tributary to Chicago. In other words, I produced that hog at a loss.

As the net result of that sort of system in Montana, Dr. Elliott, the chancellor of our university, who is also chairman of our live-stock conservation commission, at a session of the commission in the early part of February, said:

It is perfectly idle, gentlemen, for this commission to tell the farmers of Montana to increase their hog production or stimulate their hog-growing industry, because the hog-growing industry is dead, and there is none to stimulate.

The farmers of Montana are, as a matter of absolute necessity, growing only enough pork on the farm to meet the needs of the farm. And that is true of other States in the Northwest, covering an enormous section of country. It is true that we are not as big producers of hogs in Montana as they are in Iowa. But the difference between the total amount of hogs shipped out of Montana this year and the number shipped out last year will amount to thousands of carloads.

Now, as to the prices of wheat, we believe the facts show that the President was misled by the grain corporation, and the milling division in the Food Administration, through Mr. Hoover, and up to the President.

We believe that the facts show that the price of grain was fixed for the benefit of the millers and in total disregard of the interests of the producers.

To illustrate that point, I will simply cite prices at two points:

At Philadelphia the price of wheat is \$2.28 a bushel for No. 1 northern; and at Minneapolis the price is \$2.17, a difference of 11 cents a bushel. It takes 4½ bushels of wheat, in round numbers, to make a barrel of flour. Therefore, the Minneapolis miller pays 50 cents less for the wheat that goes to make a barrel of flour than the Philadelphia miller pays; and that 50 cents difference pays the freight on the flour from the point of production in Minneapolis to the Atlantic seaboard.

That same thing applies to the differential in all these other primary markets, as designated originally by the Federal Grain Corporation. So that we think that is conclusive of the fact that the price was fixed for the milling interests and not for the wheat-growing interests.

In this last fixation of prices we believe the President was misled by the same influences which are profiting by the fact that they have been heretofore able to mislead him. Because, on the basis of existing prices of wheat, corn, rye, barley, and oats, the planting of wheat

penalizes itself on every acre. This last fixation could not stimulate production: it simply maintained the status quo of profiteering by the millers.

The price of 100 pounds of wheat and the price of 100 pounds of oats, as a comparison, are so wide apart that, based on present prices, and therefore upon prospective profits, the average farmer in Montana who plants an acre of wheat penalizes himself from \$12 to \$13 an acre.

An average season will produce on our bench lands in those Northwestern States 20 bushels of wheat to the acre, and will produce 45 bushels of oats to the acre. On the basis of the present prices the oats produced on an acre are worth \$51, and the wheat produced on an acre is worth \$38, a difference of \$13 an acre, which represents a prospective loss of that amount to the farmer. If you multiply this by 80 acres it means a prospective loss of \$978 to the farmer on every 80 acres of wheat that he plants under present conditions.

Whether the other grains will be lower or higher in the fall, we do not know: we think they are just as apt to be higher as they are to be lower. So we are up against that proposition, if we meet the appeals of our Government, and our country's need for wheat for our armies, and for the allies, and for the men in all the other industries; to benefit the milling interests, which are grossly profiting, we are asked to penalize ourselves as a patriotic duty.

In regard to dairy products the same process of extermination as in the hog industry is going on in spite of our appeals to the Food Administration.

By combinations among the dairying concerns, they are taken advantage of, both as to prices paid for butter fat and as to the content of butter fat in the cream.

To illustrate that, I made a test on our own cream in a 5-gallon can. We had been sending 5-gallon cans twice a week to the local creamery at Lewistown, and getting credit for from 11½ to 12 pounds of butter fat. We had been getting better results previously, and so I told the wife that I would test the matter myself; I would churn out one of those 5-gallon cans; and I did so. We got 20 and a fraction pounds of butter to the 5-gallon can of cream, or about 8 pounds more than the creamery allowed us.

I took one of those pound packages of butter to the creamery at Lewistown and asked them to test it for moisture. They did so, and found that it had 2 per cent less of moisture content than the creamery was allowed to put in by the State law. So that my wife had worked it out better than the creamery did, on the average.

The same conditions apply as to poultry. The Food Administration came out with its propaganda to eat more poultry and less of other meats. And then, in order to protect the consumer, statements were made in the daily newspapers of the wholesale prices of poultry and the prices that the retailers should charge the consumers. They cut off the profit at that end, but the wholesalers took it out of us by reducing the price paid to farmers for the poultry.

To illustrate that: I went into the market at Lewistown the week preceding Thanksgiving, and asked the price of dressed geese. Some were lying in the window, with the price marked on them, 23 cents. We had sold that identical item the year before at 19 cents a pound.

Our feed cost meanwhile was at least 50 per cent more. We got 14 cents for geese last November. I looked the matter up in my agricultural papers, and I found that the complaint was general all over the Northwest, women writing to these agricultural papers that the dealers were cutting down their prices; there was no protection in that matter at all. On the contrary, the profiteering, instead of resting in the pockets of the consumer, rested in the pockets of the producer.

The CHAIRMAN. Do you mean the producer or the wholesaler?

Mr. TEAGARDEN. I mean the wholesaler was prevented from profiteering upon the consumer—

The CHAIRMAN (interposing). And therefore profited upon the producer?

Mr. TEAGARDEN. Yes, sir; he gave the producer a lower price; he got out of us what he had taken out of the consumer the year before.

As to the price of flour in the Northwest, things are in a grievous condition. In the first place, we feel that the price in the East is a profiteering price. Take your Philadelphia market to-day, and the cost of the $4\frac{1}{2}$ bushels of wheat that go to make up a barrel of flour is \$10.21 to the miller. The miller is taking all of the value in the by-products, which would be worth about \$1.10 or \$1.12, plus about 16 cents over the cost of the wheat, making, therefore, a total gross profit above the operating and selling cost of about \$1.28 per barrel, or a little more than 28 cents per bushel. I submit that grandfather's mill in the old days ground wheat into flour for less profit per bushel than that.

But on top of this price in Philadelphia, the Montana mills pay \$1.91, instead of \$2.28 a bushel for our No. 1 northern wheat. In other words, they pay \$1.62 less for the wheat that makes a barrel of flour than the Philadelphia mills pay; and the big mills out there charge us 75 cents or 80 cents more than the Philadelphia miller, or a profit, on top of the Philadelphia profit, of 50 cents on a 49-pound sack. And that condition is proportionately general all over the Northwest—from Minneapolis west to the Pacific coast.

Senator NORRIS. You mean that they buy the wheat on the basis of the prices there, and they sell it, in the shape of flour, based on what it would cost to buy it in Philadelphia; is that the idea?

Mr. TEAGARDEN. No; based on what it would cost to buy it in Minneapolis, which is the nearest primary market for us. In other words, they take off the 18 cents freight charge to Minneapolis in buying the wheat—although I drive my wagon right up to the mill door and dump the wheat in. And then when they put the flour into my wagon in place of the wheat, they add the Minneapolis freight to the price.

Senator GRONNA. Both the price of the flour and that of wheat is made at Minneapolis, is it?

Mr. TEAGARDEN. Yes, sir.

Senator GRONNA. They add the transportation charges on wheat and also on the flour?

Mr. TEAGARDEN. Yes, sir; and the packers and meat houses do the same with regard to hogs.

The CHAIRMAN. In other words, you have to pay the transportation charges both ways?

Mr. TEAGARDEN. Yes, sir; and that is why we have had to go out of the hog business. We have not gone out of business entirely, because we have got to grow meat or starve.

Let me here illustrate our greatest economic problem:

I said to a banker the other day: "Mr. Johnson, you are in the business of selling credits. If you had nothing to do with the cost of getting the money together and the operation of the machinery upon which you base these credits that you sell, and if you had nothing to do with the price of that service to the people—the interest rate—how long would you be in the banking business?" He said: "I would liquidate at once."

"But we can not liquidate; our means are tied up in lands. We are selling our products on a market where we have nothing to do with the prices or conditions, and we are buying on markets where we have nothing to do with the fixing of prices." We are profiteered upon from both sides.

During recent years there have been the most remarkable combinations in business, all specifically designed to get all that the traffic would bear. And during that period of combination we have been fearfully exploited. I am not criticising men, but I am discussing conditions that are directly working toward the extinction of our agricultural interests in the Northwest.

The CHAIRMAN. And the farmer must work his farm, no matter what happens?

Mr. TEAGARDEN. Yes. As a rule a man who farms has no training for any other work, and he must farm or starve; he must farm or tramp the roads as they did in 1873. I remember when we used to have a shotgun behind the door filled with buckshot for those homeless fellows that were tramping around.

And so the story goes all down the line. There is a feeling in the Northwest among our farm men and women that I regret more than I know how to say as an American citizen. We are intensely patriotic. To me it seems almost like an imminent national tragedy that there is political wrath among the farm men and women over this great area; those whose loyalty to the Government may not be questioned, because it is in their blood and in their bone, this tradition of loyalty to the country; they have written the brightest pages there are in the history of the country, in patriotism and in devotion to duty. But we have been compelled as a last desperate resort to political revolt to get the attention of the Government and the country to these conditions which are strangling our industry; they are biting like acids into the morale of the men and women on the farms in the Northwest; and I submit to you, gentlemen, that efficient production, and especially increased production, without the right spirit of morale in the hearts and the minds of the men and women who do that producing is just as impossible as it would be for an army to win a great battle without morale. It is impossible.

The CHAIRMAN. You think that the Food Administration has neglected to give proper consideration to the psychological conditions among the farmers, do you?

Mr. TEAGARDEN. Entirely. We have appealed to them time and again. The last appeal was made to them in connection with the price of wheat. We showed to Mr. Hoover a memorial adopted by both branches of our State legislature this year, when it met in

special session on another subject. that the price received by the Montana growers for No. 1 northern wheat—the best grade—was 10 cents a bushel less than the average price received for all kinds of wheat in the United States; and we proved it by a telegram from the Director of the Office of Markets in the Department of Agriculture, specifically giving us that information. We appealed against that unfair discrimination, because we asserted in Montana that they grow as good a grade of milling wheat as there is anywhere on the American continent, if not better. There is no better grade of milling wheat than Montana hard or spring wheat. I think the Senator from North Dakota will agree with me as to that.

Senator GRONNA. Yes.

Mr. TEAGARDEN. And yet we are penalized, because it was to the interests of the profiteers down here in the milling division to profiteer upon us.

The CHAIRMAN. It is your idea that the production of wheat would be stimulated by an assurance of a reasonable profit, is it?

Mr. TEAGARDEN. Yes, sir; I do not think any other stimulus can be devised. It seems to me a proposition so elemental in economic law that price is the great stimulant to production, that I do not see how it can be gotten away from. That is true in the case of every other production; you stimulate shipbuilding by higher prices. They give to the makers of ships, for example, all costs—eliminating all risks of strikes, and increased labor cost, and increased cost of material, and increased interest cost. They give all that to him, plus a profit.

We do not ask a guaranty of the Government that when we plant an acre of wheat we will get a crop on it; but we do ask a guaranty of the Government that when we plant it, and have fought off the rust and the hail, and all those hostile things, and do produce a crop of wheat, we shall have a fair market price for it—one that will permit us to pay the interest on our mortgage, our taxes, and support our families, and send our children to school in comfort. That is all we are asking—and we can not get it.

The CHAIRMAN. Yes.

Senator NORRIS. You would be satisfied, I presume, if the Government had permitted the wheat to take its chances with corn and oats, and had not interfered with the regular law of supply and demand?

Mr. TEAGARDEN. Yes, sir. We feel that we are on pretty safe ground on that proposition, and that safe ground was furnished us by the address of President Wilson, made to you gentlemen on the 5th day of December, when he said that the law of supply and demand had been replaced by—I do not remember the exact language.

Senator WADSWORTH. "Unrestrained selfishness."

Mr. TEAGARDEN. Unrestrained selfishness. Then he went on to say that profiteering was brazenly rampant. And we know it, and we have appealed and appealed against it. And so we came to the conclusion, distressing as it is, that the only way to enforce that appeal in the matter of fixation of wheat prices and other prices—we support President Wilson's proposition that there shall be a fixation of prices upon the great staples of the agricultural industry, and what the agricultural industry must buy in order to produce. We are perfectly willing for that.

The CHAIRMAN. That is, if you are going to have any at all?

Mr. TEAGARDEN. Yes, sir; if we are going to have any fixation of prices upon the things we produce. I assert that whatever limitation there has been in the prices of food since the war has come out of our pockets, and not out of the pockets of anybody else in the world. We are perfectly willing that they should fix the prices for the things we produce, and the things which we buy, so long as they give us living cost and maintenance.

I believe I correctly represent the feeling of the farmers of my State when I say that overwhelmingly to-day they would make a contract with the Federal Government to turn over the excess of production above farm needs—including maintenance and decent living for the farmer and his family, the payment of our taxes and interest—at cost for the duration of the war, if it lasted 20 years. But we object to being harried and yelled at and hooted at, to grow this thing and that thing and the other thing, when the profiteers of the country are taking all the profit, and more, too, out of our pockets and forcing us to produce at a loss, or go on strike, which we can not do.

The CHAIRMAN. They went at first on the theory that wheat production was more important than anything else, and that the supply of wheat was indispensable and higher prices came, and then they changed from that policy and put a lower price on wheat than on anything else.

Senator NORRIS. They put a minimum price on it.

The CHAIRMAN. I mean the Government, not the Congress.

Mr. TEAGARDEN. Mr. Hoover built up this man of straw, this single buyer, who was going to make a price of \$1 a bushel, as they claimed, if the Government did not fix the price. And then, forgetting that we know that this single Government buyer, instead of being a bear was a bull on the market, and that it was the buying by the allies that forced the price up—

The CHAIRMAN (interposing). Did he say that the price would have been \$1 a bushel?

Mr. TEAGARDEN. Mr. Hoover said that Congress did us a service in establishing the price, because if they had not done so the price would have gone down to \$1 a bushel. He told that story through the Associated Press. I have the files of the Chicago Tribune at home showing that. I did not know this hearing was going on when I came East or I would not have been so general in my statements; I would have brought those papers with me.

The CHAIRMAN. Yes; I am sorry you were not able to prepare yourself more fully.

Senator GRONNA. You were telling the committee a few moments ago about the resolutions adopted by the legislature of your State. What reply did you get to those resolutions?

Mr. TEAGARDEN. They were referred to the grain administration, and some gentleman down there—not Mr. Barnes, who had always answered us heretofore, but some other fellow—simply wrote and said that we were suffering because of natural conditions, because of our remoteness from markets, that we had always suffered from and always would suffer from. But he forgot that the mills at Minneapolis were just as remote from the seaboard as they had been, and

the Food Administration fixed it up for those mills, but did not fix it up for us.

Senator GRONNA. In other words, you got no relief?

Mr. TEAGARDEN. That is correct.

One other point I think has been overlooked in the press: I remember when the commission which sat here and fixed the price of wheat, concluded its labors, the last thing they did was to adopt a resolution unanimously that, upon the basis of \$2.20 for wheat, if there was no more than a fair charge made all down the line, for flour and for baking, etc., the 14-ounce 5-cent loaf of bread ought to be returned to the American people.

Now, there is no baker doing it in this country, and I defy the housewife to do it at the prices they are paying for flour.

The CHAIRMAN. Do not the prices they are paying for bran and shorts compensate for the high prices they pay for bread?

Mr. TEAGARDEN. It compensates the millers.

The CHAIRMAN. Well, does it not compensate the farmer when you get them so cheap now? [Laughter.]

Mr. TEAGARDEN. We do? Just let me give you a pertinent illustration: Within the last two weeks the Food Administrator of North Dakota, Dr. Ladd—and I wish we had more like him—fixed the price of middlings and bran on the basis of \$2.05 for wheat: so that a ton of bran sacked at the mill would cost the farmer about \$31. The same day, or the day before, the newspapers came with that story our Equity Cooperative Association bought a carload of middlings from one of the big mills in Montana and they paid \$36.75 a ton, or \$5.75 a ton over the North Dakota prices, where the prices are fixed on the basis of \$2.05 a bushel for wheat: and the wheat that we sold our mills brought us only \$1.90.

The CHAIRMAN. We had a man from New York before the committee that said that the prices had gone up from \$38 to \$48 a ton, and that the wheat from which it was made cost the same as it did before.

Mr. TEAGARDEN. They raised the price out there three or four times.

Senator NORRIS. Do you know anything about the feeding of stock—for instance, lambs?

Mr. TEAGARDEN. Well, they have a good many in our State. The complaint that they have about that situation and the cattle situation is identical with the complaint that Mr. Lasater made in his statement.

In Montana, as Senator Hanna, of the Livestock Conservation Commission, said at this meeting that I spoke of a while ago, last fall, about 60 per cent more cattle were shipped out of the State of Montana than in any other year in the history of the State, and that excess was largely made up of she stuff and calves.

Senator NORRIS. Do you do much feeding there?

Mr. TEAGARDEN. No, we do not have many feeders there; they ship them to market, and they are turned over to the farmers in this section of the country, where they have the corn and the grain to feed to them.

The CHAIRMAN. All right, Mr. Teagarden, we are very much obliged to you for your statement.

Senator WADSWORTH. Mr. Chairman, I ask permission to insert in the record of the hearing the regulations of the United States Food Administration with regard to the exportation of condensed, evaporated, and powdered milk.

The CHAIRMAN. Yes; certainly.

Senator WADSWORTH. These regulations are dated December 10, 1917. The regulations are as follows:

UNITED STATES FOOD ADMINISTRATION,
Washington, D. C.

To manufacturers of condensed, evaporated, and powdered milk:

The following regulations are now in effect for the exportation of condensed, evaporated, and powdered milk. The separate certificate from the manufacturer covering each export shipment is no longer required, but compliance must be in accordance with the following:

EXPORT REGULATIONS.

CONDENSED, EVAPORATED, AND POWDERED MILK.

1. The manufacturer of condensed, evaporated, or powdered milk, in applying for a license for the export of his commodity, shall be presumed, without furnishing of formal certificate, to certify that he has in the manufacture of his commodity for which the license is desired, complied with all the provisions and conditions contained in the license granted to him as a manufacturer by the United States Food Administration, and especially the condition that he has not paid for the fresh milk from which the commodity is manufactured a price higher than the prevailing price for fresh milk in the vicinity in which the purchase was made.

The manufacturer to whom export licenses have been issued shall report to the United States Food Administration each month a full and complete statement, under oath, showing the export licenses received, the articles exported thereunder, the place or places at which the said article was manufactured, the price paid for the fresh milk from which the article was made, and the person to whom the articles were sold.

If it shall appear to the United States Food Administration from the above statement, or from any other source of information, that the manufacturer has violated any of the terms, conditions, and provisions of the license granted to the manufacturer by the United States Food Administration such license will be revoked.

2. Every person other than a manufacturer who applies for a license to export condensed, evaporated, or powdered milk shall be presumed, without furnishing a formal certificate, to certify that he has, in the purchase of the commodity sought to be exported, complied with the provisions and conditions of the license issued to him by the United States Food Administration, in whatever capacity the said license may have been issued, and especially with the condition that the purchases of the article to be exported have been made from the manufacturer direct for the purpose of export and not from other dealers by way of resales.

Every person other than a manufacturer to whom export licenses have been issued for condensed, evaporated, or powdered milk shall report to the United States Food Administration each month a full and complete statement under oath, showing licenses received during the month, from what manufacturers the articles exported were purchased, the quantities purchased, the price paid by the manufacturer, and to whom the articles were sold.

If it shall appear to the United States Food Administration from the above statement, or from any other source of information, that any of the terms, provisions, or conditions of the license issued to the person exporting by the United States Food Administration have been violated by the exporter, the license so issued will be revoked by the United States Food Administration.

I wanted all the regulations put in the record, but I want to call the particular attention of the committee to the fact that in the last paragraph we find the following:

If it shall appear to the United States Food Administration from the above statement, or from any other source of information, that any of the terms,

provisions, or conditions of the license issued to the person exporting by the United States Food Administration have been violated by the exporter, the license so issued will be revoked by the United States Food Administration.

Mr. Chairman, without giving the name of the condensed-milk manufacturers concerned, I have a long letter here from one of them, which I am not at liberty to read, but which is most eloquent. I will read a letter addressed to that company following an attempt by that company to raise the price of milk which it proposes to pay to farmers in its vicinity.

The CHAIRMAN. Yes.

Senator WADSWORTH. I will say, however, that the letter explains that this condensed-milk manufacturer believed that the price should be raised to follow the law of supply and demand, and that he was operating, or attempting to operate, in compliance with that law. This letter [indicating] is addressed to that company, and reads as follows:

GENTLEMEN: Information was laid before us this morning that you had published in the Milton Evening Standard of December 12 a notice to the effect that beginning December 15, and until further notice, you will pay 25 cents per 100 pounds above league prices for all milk delivered to your plant at Lewisburg, Pa., or at your receiving stations.

Your attention is respectfully called to the fact that prices paid by condensaries that are above the official prices will no doubt result in very stringent rules governing the operations of a condensed-milk manufacturers, under the license furnished by the United States Food Administration, and it is very unfortunate that at this time the issue should be complicated.

It is the understanding of this department that the league price includes delivery by the farmer to a shipping point, receiving station, or condensary, and that any price paid in excess is above the official price. If this is not in accordance with your ideas of the official price, will you kindly furnish us immediately with such facts?

Senator NORRIS. Is that letter from the Food Administration?

Senator WADSWORTH. This letter is from the Food Administration, signed by S. J. Scudder.

Senator NORRIS. What do they mean by "league price"?

Senator WADSWORTH. League prices are the prices fixed by the Food Administration in a given territory, after consultation with the distributors' organizations, the consumers, and organizations of producers of milk, who were brought together on a certain date, in an endeavor to fix the prices to cover a subsequent period.

The CHAIRMAN. What is the league referred to?

Senator WADSWORTH. The term "league," as I understand it, is derived from the fact that certain dairymen in different sections of the country have organized dairymen's leagues.

The CHAIRMAN. And the league price is then denominated the official price?

Senator WADSWORTH. Yes; and if any condensary, or evaporated-milk factory, in accordance with changing conditions thereafter attempts to pay more money for the milk which they need their license is threatened.

Senator NORRIS. I suppose the object of that is to prevent the price of milk going up to the local consumers.

Senator WADSWORTH. Of course the result is, as I recited on the floor of the Senate the other day, that there are only 30 per cent of the number of heifer calves in the State of New York that there were one year ago.

Mr. LASATER. Mr. Chairman, I have been misinformed on one matter. I would like to call the attention of the committee to the letter that I read from Mr. Milo D. Campbell, president of the National Milk Producers' Federation. In that letter Mr. Campbell knew nothing about what the Senator called "league prices." The last letter was dated March 4, as I recall; we can refer to it and get the exact date. He called the attention of the Food Administration to just what would happen; to just what the Senator has stated has actually happened; that such prices as he complained of could be agreed on by collusion of the different condenseries of the country, and that the milk-producing interests might not be represented; and he asked that the Food Administration appoint committees, as was done in New York, Chicago, and Boston territory, to state what prices would be fair prices.

This is the federation of a great many milk-producing associations, and on March 4 Mr. Campbell was encountered with the facts you have just stated. But he apparently saw this thing could happen, and stated in this communication read into the record that he is what he appeared to be, and asked the Food Administration to take the necessary steps to protect them.

Senator WADSWORTH. I think it only fair to say that this letter, which comes to me from a condenser, who protests against the rule prohibiting him paying the farmer a little more, and the reason is perfectly plain. The intelligent condenser or evaporator milk factory owner realizes that if the farmer is not getting enough for the milk which he purchases from the dairy industry in that section in which the condenser has all his fortune invested is going to decline and his own factory will cease to exist.

The CHAIRMAN. The condenser does not want to "dry up the cows."

Senator WADSWORTH. Certainly not. There has been a good deal of loose talk about how condensers and evaporator milk factory owners welcome the driving down in the price of raw milk. As a matter of fact, the great majority of them do not want to drive it down, because they know if they do so they will eventually ruin their own business.

Mr. TEAGARDEN. We have a situation in Montana that I will describe in a moment. We have one big condenser that overshadows in its capital all the others in the State, and all of the creameries, and until the law intervened and prevented the big concern from overbidding our local creameries on the price of cream and underselling on the price of butter they have put local creameries out of business. They were willing to pay the higher price in order to drive the local producer out of business. Mr. Hennyson is objecting to this very thing, and when he asks to be allowed to pay more to put the little creamery out of business, then he will get back, or, at least, he thinks he will, what he lost.

Senator WADSWORTH. It is a very grave question.

Mr. TEAGARDEN. But the farmers get milked.

The CHAIRMAN. Mr. Teagarden spoke a minute ago about the psychology amongst the farmers, and I think we have ignored the feeling that is in the heart of the average farmer and the "dumb, inarticulate crowd" Carlyle talks so much about.

594 INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

the National Treasury. It makes the supply go further. But it does not bring in the supply. We may even compel people to economize to the use of foods by legal enactments, with severe penalties; Congress may require us to observe wheatless and meatless days and to eat mixed and diluted foods—and I myself believe we have reached the point where compulsion should supersede, or at any rate supplement, voluntary appeal—but no legislation, however drastic or draconic, will add to our supply of foodstuffs a single litter of pigs or a solitary grain of wheat. It is good to save what you possess, but saving does not create the supplies in the use of which you practice economy.

THE DEMAND FOR LOW FOOD PRICES.

But legislation can surely put a stop to profiteering in the sale of foodstuffs. If milk goes up a cent a quart and children die in New York City in consequence, ought there not to be a law to stop it? Well, I think it a disgrace to our civilization that children should die for lack of food. And I hope the time is not far distant when a more humane feeling and conscience will lead the public to recognize the obligation of caring for those innocent and helpless sufferers. But why should the food producer be singled out for the rôle of a public benevolent institution? Why not also the producers of unessential commodities or amenities and luxuries? Why deny the farmer alone the market price of his labor and skill? Why select him first to support the poor of our great cities? He certainly can not afford it. One-third of our farmers are tenants and own little or nothing in the world. And of those who own the farm they operate 36 per cent have them free of mortgage.

FOOD PRICES AND GENERAL PRICES.

Why attempt to regulate the prices of farm products? Like other commodities, they will not be produced at all unless the producer gets a price sufficient to cover the cost of production and a fair profit. The people who demand the regulation of food prices really want low prices. But low prices for anything whatever in war times are utterly impossible. And foodstuffs have not gone up more than other commodities. Even in a country like Great Britain, where manufacturing was self-sufficient and agriculture dependent, the level of food prices has not advanced much beyond the general price level of all commodities. In May, 1917, the index number for all commodities showed an increase of 114 per cent over the wholesale prices of July, 1914, and the corresponding increase for food products was 123 per cent.

I hold in my hands tables just issued by the United States Bureau of Labor Statistics giving the wholesale prices of important commodities in the United States since 1913, the year preceding the outbreak of the war in Europe. The index number is based on 292 separate articles or price series, and the prices of 1913 are treated as par, or 100. Up to July, 1915, there was little change, and as late as July, 1916, the general price level of all commodities was still below 120. Since that time, however, there has been a rapid rise, and in the month of December, 1917, the general price level stood at 181. But the highest-priced groups were drugs and chemicals, at 230, and clothes and clothing, at 206. Farm products came third, at 204, while foodstuffs stood at 185, which is only four points above the general level.

PRICE REGULATION DIMINISHES THE SUPPLY.

Why, with those facts before us in regard to prices, should anyone want to lay hands on food for the purpose of price regulation? The problem is solving itself in accordance with economic laws, with results quite analogous to those we find in the price advances of other commodities. Do you want to penalize food producers by compelling them to sell their products at prices relatively lower than other producers? Is that the way to get food to win the war? That way madness lies—utter folly and rank injustice.

I repeat and reiterate that our food problem is one of enlarged production and augmented supply. Price fixing leads to the opposite results. Farmers will not plow and plant and weed and harvest if they know that the laws fix the prices of their commodities lower than the general level of prices—lower than the cost of production with fair profit to the producer. We have tried that experiment with coal producers, and the result is heatless Mondays; we have tried that experiment with the railway companies, and the result is a

The CHAIRMAN. I wanted to have that letter read, because whenever those 13,000,000 farmers and farm hands and thirty-odd million members of farmers' families get to thinking that way, it means a good deal.

Mr. TEAGARDEN. May I have just another moment?

The CHAIRMAN. Yes, sir.

Mr. TEAGARDEN. The other day I was talking with a tenant farmer who lives a little beyond my place, a husky young chap about 38 years of age, with a wife and a little boy and little girl; he does not drink and has no bad habits and works hard. He said: "Teagarden, my wife has been asking me if there was not some other business I could get into where I would not have to work so very hard and get so little out of it and be able to educate our children." "But," he said "I have only the education I got in the country district school; I am not educated for business and have had no experience in it, no aptitude for it, and no capital to invest in it. I am not a trained mechanic. I know a little about farm mechanics, but I could not make a living as a mechanic. I certainly can not do it by farm labor." And then he said: "I must farm or starve, and, by God, I am doing both."

The CHAIRMAN. I had a letter this morning from a farmer who said he had some pigs which were selling at 17 cents. The Food Administration said, "Fatten and keep them and make them heavy," and he kept them until they were fatted and sold them for 15 cents.

I desire to print in the record an address by Jacob Gould Schurman, president of Cornell University, entitled "The food crisis and the farmer."

(The matter referred to is herewith printed in full:)

THE FOOD CRISIS AND THE FARMER.

[An address delivered at farmers' week, Cornell University, Thursday afternoon, February 14, by Jacob Gould Schurman, president of the university.]

Of all the great problems of this colossal world war the food problem is now the most important. Man power can be raised by conscription up to the point of exhaustion. The allied lines from the North Sea to Switzerland are piled high with munitions, which the output of French, British, and American factories is constantly augmenting. But everywhere the supply of food is limited, and beyond a very narrow margin you see the edge of an inferno of starving nations.

SOLELY A QUESTION OF SUPPLY.

Yet no problem of the war is so much misunderstood. The simple question is this: Can we keep our own and our allied soldiers and civil population from starvation? If they are not to starve, they must have wheat and other cereals, beef and pork, and other meats and fats to eat. It is not at all a question of price. It is solely a question of supply. Will the farmers of America raise enough wheat and oats and rye and corn and hogs and cattle and sheep to feed the American Army and people and to help to feed the armies and peoples of our European allies?

THE LIMITS OF CONSERVATION.

The less we waste the more we economize, the further we shall make our supply of foodstuffs go. Mr. Hoover has taught us all the gospel of the clean plate and the duty of eating those varieties of foods which we can not send to Europe for the use of our soldiers and our allies. And he has been so successful in his campaign of publicity that many good people have come to imagine that conservation is our principal food problem. As a matter of fact, conservation or saving is to the national cupboard what saving or economy is to

INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS



HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE AND FORESTRY
UNITED STATES SENATE

SIXTY-FIFTH CONGRESS

SECOND SESSION

RELATIVE TO

INCREASING THE PRODUCTION OF GRAIN AND MEAT
SUPPLIES OF THE UNITED STATES

MARCH 19, 20, 21, 22, AND 30, 1918

Printed for the use of the Committee on Agriculture and Forestry

PART 7

NOV 7 1918

FOOD ADMINISTRATION
INFORMATION BUREAU LIBRARY



WASHINGTON
GOVERNMENT PRINTING OFFICE
1918

COMMITTEE ON AGRICULTURE AND FORESTRY.

THOMAS P. GORE, Oklahoma, *Chairman.*

GEORGE E. CHAMBERLAIN, Oregon.

ELLISON D. SMITH, South Carolina.

HOKE SMITH, Georgia.

MORRIS SHEPPARD, Texas.

JOSEPH E. RANDELL, Louisiana.

WILLIAM H. THOMPSON, Kansas.

EDWIN S. JOHNSON, South Dakota.

JOHN B. KENDRICK, Wyoming.

FRANCIS E. WARREN, Wyoming.

CARROLL S. PAGE, Vermont.

ASLE J. GRONNA, North Dakota.

GEORGE W. NORRIS, Nebraska.

WILLIAM S. KENYON, Iowa.

JAMES W. WADSWORTH, Jr., New York.

J. ROY THOMPSON, *Clerk.*

UNITED STATES SENATE
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, May 4, 1918.

Hon. ED. C. LASATER, *Washington, D. C.*

MY DEAR SIR: I hand you herewith a statement presented to the Committee on Agriculture by Mr. Hoover in answer to your statement before the committee. You may, if you like, look the statement over and return the same to me together with any written reply you wish to make and the same shall be printed along with Mr. Hoover's statement.

Very truly, yours,

T. P. GORE.

UNITED STATES FOOD ADMINISTRATION,
Washington, May 1, 1918.

Hon. THOMAS P. GORE,

Chairman Committee on Agriculture and Forestry,

United States Senate, Washington, D. C.

MY DEAR SENATOR: Referring to the statement of Mr. E. C. Lasater before the Senate Committee on Agriculture and Forestry, of which you are chairman, on Saturday, March 30, 1918, I inclose you statement of the United States Food Administration with regard to the testimony of Mr. Lasater above referred to.

On behalf of the Food Administration, I ask that the statement herewith inclosed to be made a part of the record of the committee.

Faithfully, yours,

HERBERT HOOVER.

STATEMENT OF THE UNITED STATES FOOD ADMINISTRATION WITH REGARD TO THE
TESTIMONY OF MR. E. C. LASATER BEFORE THE SENATE COMMITTEE ON AGRICULTURE AND FORESTRY.

Mr. Lasater was connected with the Food Administration for a few months, resigning on November 9, 1917. During his connection with the Food Administration he proved to have a narrow view of one trade interest with no concern for national issues, and to have little patience and little appreciation of the national and international difficulties to be surmounted in any action no matter how desirable. His demands for action on his own views, without regard to all phases of a problem, made him an impossible team worker. This attitude and an unreliable memory and assembly of facts is indicated by the office records and correspondence with regard to the incidents mentioned by him, of which the following are some examples.

Mr. Lasater quotes before the Senate Committee a Chicago newspaper statement purporting to be the views of the Food Administration as to \$10 hogs, and Mr. Lasater charges it as indicating a conspiracy by Mr. Hoover to break the hog market to a point below the cost of production. To Mr. Lasater's knowledge, Dr. Durand denied making any such statement, and with Mr. Lasater's actual participation telegrams were sent out broadcast over the country by Mr. Hoover, denying any intention of this sort in the strongest possible terms. Over 60 different telegrams—some over Mr. Lasater's signature—were sent out from the Food Administration.

The persistence with which this \$10 hog story was circulated in the country appeared to the Food Administrator to be a positive case of German propaganda, and the attached telegrams, marked "No. 1" and "No. 2," are typical of those sent out by the Food Administration. Mr. Lasater's statement of this incident is therefore nothing short of misrepresentation.

Another incident is Mr. Lasater's misrepresentation in reference to the matter of arriving at some ratio of hog and corn prices. Mr. Lasater in effect

stated that Mr. Hoover, after giving assurances to the producer that the Food Administration would see to it that they receive a guaranteed ratio between corn prices and hog prices, later changed his mind and failed to keep such promises.

The possibility of arriving at such an assurance was raised originally by certain swine interests at a meeting of live-stock growers on September 5-8, 1917, called by the Secretary of Agriculture. At this meeting Mr. Hoover frankly discussed the importance of the concentrated Government and allied buying in influencing the price of hogs, and asked the producers to make some suggestion for the guidance of the Food Administration. A committee of five swine growers was appointed to further consider the matter. In order to determine the growers' views meetings of swine growers at Waterloo, Iowa, on October 3, and at Omaha on October 5, were asked to consider what recommendations could be made to the Food Administration which it could carry out, within its powers, leading toward the stimulation of production of swine in this or any other direction. Messrs. Lasater and Pinchot were asked to attend these meetings to obtain the views of the swine growers as to the usefulness of a ratio of hog and corn prices or other matters, as it was felt that anything of this kind must be done in cooperation with the producer.

Resolutions were passed at these meetings, which are marked "No. 3" and "No. 4." Among these resolutions was a recommendation of the appointment of a commission of experienced men to ascertain the cost of production, etc., and to determine the problem of ratio, and in addition the expression was given that a ratio of 14 to 1 would be desirable.

Upon the return of Messrs. Lasater and Pinchot, Mr. Lasater insisted that the Food Administration should announce at once a complete guaranty for swine production on the ratio of 14 bushels of corn to 100 pounds of hog at the Chicago market. Mr. Hoover informed him that no such fixed guaranty could be given without the backing of the United States Government or the allied Governments and that the announcing of a positive guaranty by the Food Administration would not be honest to the producer unless it were backed up by such financial strength of Governments and that such a guaranty from the United States was impossible without legislative appropriation and that negotiations with the allied Governments were in progress.

In order to further advance the matter, on October 13 telegrams were sent to a subcommittee on swine of five which had been appointed by the September meeting of live-stock men in Washington, asking them to nominate a committee to consider the whole problem of swine prices in relation to corn and to advise the Food Administration. The gentlemen were recommended and were immediately telegraphed to and asked to serve, and the committee held its meeting in Chicago on October 25, 1917, bringing in a report, marked "No. 5," on October 27.

By this report, marked "No. 5," it will be seen that the committee said:

"The best emergency method of stabilizing the market and preventing the premature marketing of light, unfinished pigs and breeding stock, we firmly believe is to establish immediately a minimum emergency price for good to select butcher hogs of \$16 per hundred pounds on the Chicago market."

And the committee further recommended as follows:

"For the purpose of immediately stimulating production of swine for the next year, we recommend that a ratio be immediately established and announced at once, same to go into effect February 1, 1918."

In the meantime it did not appear that it was feasible for the allied Governments to give a guaranty that would extend beyond the purchase of a definite quantity of pork products. The Food Administration was thus not able to give any positive, definite guaranty to the whole of the swine producers based on this limited footing. The administration was, however, convinced, from the assurances of the volume of allied purchases, that if these were directed against the periods of maximum production some sort of minimum price could be maintained and some assurances could be given that would be of importance in the stimulation of production. Therefore, upon these assurances of volume of purchases, on Mr. Hoover's authority Mr. Cotton issued, on November 3, a statement to the swine producers of the country stating the policy of the Food Administration in the matter above referred to (marked "No. 6"). This policy was founded, as closely as the powers of the Food Administration permitted, upon the report of the committee referred to.

It will be observed from this statement issued by Mr. Cotton under the authority of Mr. Hoover, that it is stated that "the prices so far as we can

affect them will not go below a minimum of about \$15.50 per hundredweight for the average of the packers' droves on the Chicago market until further notice." The recommendation of the committee was "a minimum emergency price for good to select butcher hogs of \$16 per hundred pounds on the Chicago market"; and since that statement the price on the Chicago market has been maintained—with great difficulty, however, at times—about \$15.50 per hundredweight.

It will be seen from the above that the policy first suggested at the preliminary live-stock growers' meeting of September 5-8, in Washington (and the suggestion did not come from Mr. Lasater), was carried out by the Food Administration, with all of the expedition and with as much assurance as the large issues to be solved warranted, and that the partial and garbled statements made by Mr. Lasater with regard thereto sufficiently indicate not only his misrepresentations in the matter, but his impatience of any proper consideration of the issues involved.

The third typical incident misrepresented by Mr. Lasater is that of the arrangement with regard to cottonseed cake in the State of Texas. The Food Administration had been, during the months of September and October, endeavoring to secure the release of large quantities of food and feedstuffs held up by the embargo in various ports of the United States. Among these were some quantities of cottonseed cake at Texas ports. In October, owing to the drought in Texas, an acute situation with regard to feeding stuffs developed and was brought to the attention of the Food Administration—not by Mr. Lasater, but by Mr. Peden, the State food administrator of Texas. In order to give immediate relief it was finally determined to requisition, if necessary, stocks of cotton seed in Texas ports held up by the embargo in the names of private firms who had refused to sell the cake on the ground that it had been sold to European buyers and that they were helpless in the matter.

After instructions were prepared for Mr. Peden for requisition, complications arose because it developed that there was a probability that the Danish Government were buyers of at least a part of the cake. We could not, therefore, proceed at once with the requisition which had been suggested until this matter was cleared up. Mr. Peden was summoned at once to Washington to discuss the situation, and it was determined to call a joint meeting of cattlemen and the cottonseed crushers at Houston on November 15 to discuss the entire question of cottonseed meal. The meal was selling at over \$70 per ton—a price out of the reach of cattlemen—and the requisition of cotton seed at this price was not a satisfactory solution. The cottonseed cake lying in ports had cost the owners less than \$45 a ton. Any requisition thereof at the high figure would represent an enormous profit to Danish owners and a great loss to American cattlemen. It was determined to see if an agreement could not first be brought about between cottonseed crushers and cattlemen for a reduction in the price of cottonseed cake. The meeting in Houston was conducted by Mr. Peden, State food administrator, and a voluntary agreement arrived at by which meal generally was to be sold at about \$53 per ton. As soon as this figure was set, negotiations were opened as to the embargoed cake, and the whole of the cake in port was soon liquidated at the price arranged, thus resulting in a saving of over \$15 a ton on something like 30,000 tons in the ports.

These arrangements were completed about a week after Mr. Lasater's resignation and completed on a broad basis of great service to the cattle industry. Mr. Lasater had nothing whatever to do with either the original suggestion or the carrying out of this program.

Mr. Lasater apparently claims that a change of policy as to cottonseed requisitions in Texas embarrassed him because he had sent telegrams stating definitely that there would be a requisition. The Food Administration records show that the telegrams to which Mr. Lasater refers were never sent.

The situation required careful handling. Mr. Lasater apparently wanted to proceed with a high hand at once, regardless of consequences or the necessary legal steps, and wanted to take the credit to himself for an action which in itself was but a minor part of a constructive program.

Another type of misrepresentation by Mr. Lasater lies in the arrangements made by the Food Administration in the protection of the dairy interests in the various large cities in connection with condensed milk, etc. These are sufficiently answered by a letter addressed to the Agricultural Committee by Mr. Campbell, who is the president of the National Milk Producers' Association, a copy of which has been forwarded to the Food Administration. This letter shows the entire misrepresentation by Mr. Lasater in this connection. Mr. Lasater had

no part in the milk negotiations, and consequently he is not, and never was, informed in the matter. One incident in this connection, showing the entire lack of knowledge and the misrepresentation by Mr. Lasater, lies in his statement with regard to limitations placed in export licenses on the shipment of evaporated milk based on prices higher than the current prices of milk as determined by commissions in various localities. Mr. Lamb, who had charge of these negotiations, states that this policy was pursued in accordance with the wishes of the dairy interests as in the general interest of the dairy industry.

Mr. Lasater made some statements as to the animal shortage in Europe. Mr. Lasater has no knowledge as to the animal shortage in Europe. The information given out by the Food Administration was and is based on confidential figures supplied by various Governments, together with information as to other countries of reliable order, to which Mr. Lasater never had and never could have access.

The meat ration of 1½ pounds per week in England, one-half pound in Germany, one-fourth pound in Belgium, etc., against the normal consumption of between 2 and 3 pounds in these countries, is evidence enough that the animals do not now exist in these countries.

It is entirely possible to go over all the various details—trivial or otherwise—raised by Mr. Lasater and to show his complete lack of information and the unreliability of his conclusions.

It is deemed proper to add a word as to the four men charged by Mr. Lasater to have been associated with the Food Administration in the "packers' interest," and it may be stated at once that none of the men have ever been in the meat division and they have never had the remotest connection with the control of the packers.

Mr. Brooks was for a few months in the employ of Swift & Co., after years of association with the Atchison, Topeka & Santa Fe Railway. He was secured for a short time by his former superintendent, Mr. Chambers, to assist in the Transportation Division of the Food Administration. After Mr. Brooks's adaptability and patriotism had been proved, he was asked to disassociate himself from Swift & Co., and did so.

Late in the autumn of 1917, the Food Administration absorbed the food activities of the Council of National Defense, and in order to maintain continuity in the work, took over the staff that they employed. Amongst these gentlemen were Messrs. Heyl and Collins. Their occupation was the following up of orders placed for canned goods and their concentration for the Army and the allies, and to see to the effectiveness of shipping and payment. They had no hand in purchasing or ordering of goods—all of which was in the hands of the Food Board, comprising representatives of the Army, Navy, Federal Trade Commission, and Food Administration. Early in the year, when the organization was fully developed (and before any suggestion of anyone as to their having been in the packers' employ), Messrs. Heyl and Collins were asked to dissociate themselves from the packers as a condition of remaining in the service of the Food Administration. Mr. Collins was unable to do so, and left the Food Administration. Mr. Heyl did resign from his association with Messrs. Libby, McNeill & Libby, but subsequent to that date left the Food Administration.

The letter quoted by Mr. Lasater as addressed to Mr. Heyl from Admiral McGowan was in reply to a suggestion as to using poultry to some extent in place of red meats, and was addressed at the time Mr. Heyl was a member of the Council of National Defense, long before it was even anticipated that these measures would be taken over by the Food Administration, and, while the letter was attached, in quoting it he omitted this statement:

"I have every reason to think that you and your associates are doing your utmost in a patriotic and wholly unselfish manner to promote the best interests of the United States."

The other gentleman mentioned is Mr. Priebe, who is a leading egg and poultry dealer and whose association with Swift & Co. consists solely in the fact that Swift & Co. are stockholders in one out of five companies of which Mr. Priebe was also a stockholder and officer, although he has resigned from his officership in the corporation. Mr. Priebe's occupation with the Food Administration is the interpretation of the Food Administration policies to the egg and poultry trade. He has no association with the formulation of policy, but, in line with the Food Administration policy and basis of organization of endeavoring to secure as much cooperation from trades as possible in the elimination of speculation and wasteful practices, Mr. Priebe is employed

in the stimulation of voluntary cooperation to these ends. He has no association whatever with either the purchasing of these products nor with the enforcement of the law in regulation; all of which is in the hands of men with no association with the trade. He has proved himself an able and patriotic man, and it is deemed by the Food Administration wholly impossible to secure patriotic and helpful work from the various trades in the United States unless representative men from these trades can be enlisted to carry out these policies.

No suggestion has ever been made as to the wrongdoing of any of these men, and the suggestion that some wrong attaches to them by virtue of their having been employed by the packing plants at Chicago is a monstrous attitude.

Sent to all Federal Food Administrators:

No. 1.

TELEGRAM.

UNITED STATES FOOD ADMINISTRATION.

Washington, D. C.

Chicago advices absolutely untrue. Do not represent the opinion or proposed action of Food Administration, which will take no steps to jeopardize live-stock producers' interests. All our powers will be used to keep prices at which allied and governmental purchases are made on a plane that will give an assured return of production cost and profit to producers of meat animals. In our opinion best market obtainable for present corn crop will be through live stock. We need increased production of beef and pork. Only way to secure this increase will be by maintaining a profit on production. Will appreciate your giving this wide publicity.

HOOPER.

No. 2.

OCTOBER 25, 1917.

WATERS,

Food Administrator, Manhattan, Kans.

This department has repeatedly stated that it has no intention to fix the price at which the farmer sells his stock. The Food Administration does, however, have the duty of directing export purchases of beef and pork products, and we propose to use that power to stabilize the prices and to support remunerative prices to the farmer. I have appointed a committee of important hog men to advise Mr. J. P. Cotton, the head of our meat division, on this and other marketing matters in connection with the regulation of the packing industry. I have also asked another committee to advise us from time to time the cost of production of hogs in order that we may clearly demonstrate to the American consumer the increased cost of production and the necessity for increased prices over prewar normals. I have also asked a representative committee of cattle raisers to also sit as an advisory committee to Mr. Cotton's meat division in problems affecting their industry in relation to marketing and regulation of the packing industry. All of this has been conceived in an effort to protect and stimulate the livestock industry. I wish to call your attention to certain propaganda in the country stimulated by pro-German and antiwar sources intended to discourage and mislead the live-stock grower whose increased activity is vital to our national cause. For instance, a statement that the Food Administration favors \$10 hogs has been widely circulated by insidious means in many States. We have given every publicity to the absurdity of such statement, but it seems impossible to catch up with these rumors and deliberate disturbances to the public mind. It must be obvious to any thinking men that even if we had the power to do such a thing it would be grievously unfair to the farmer and the height of folly from the point of view of national interest. This sort of rumor is not only promulgated in connection with food matters but in attempt to defeat other governmental activities such as the assembling of the Army and national finance. I believe these vicious attempts to destroy our national efficiency in war are responsible for the unrest of which you speak. The profits of the meat packers are to be limited and their business rigidly controlled. The limitation of profits will be announced before November 1. I believe it sound business for every farmer to increase hog production for 1918 as much as possible. I am sure that the Nation needs that increase to help win the war.

HOOPER.

602 INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

No. 3.

WATERLOO, IOWA, October 3, 1917.

HON. HERBERT HOOVER,
United States Food Administration.

We representative swine growers of the corn belt, in convention assembled at Waterloo, Iowa, this 3d day of October, 1917, do hereby respectfully make the following recommendations, which we consider vital to the early stimulation of pork production so essential to the successful conduct and termination of the present war:

1. We indorse the report made by certain members of the live-stock industry committee to you on September 18, 1917, and respectfully urge that prompt consideration be given same, followed by definite action.

2. Notwithstanding the high price of hogs during the past six months, the still higher price of grains has made it unprofitable to feed corn to hogs and has caused the premature marketing of a large number of breeding sows and immature stock, thereby greatly reducing the prospective meat supply. The crop of pigs this year is at least from 10 to 20 per cent less than last year. The crop of pigs this fall is very far below normal. The unsatisfactory experience of hog growers this past season has tended to discourage an increase in the number of sows bred.

3. It is our opinion that no considerable increase in the number of hogs next year can be hoped for unless hog growers are assured that when their hogs are finished for market they will sell for enough to fully cover the cost of production and yield a fair profit; in other words, that hog prices shall meet President Wilson's definition of a just price.

4. We are informed by the Food Administration that there exists a vital necessity not merely for the maintenance of normal hog production but for an increase of 15 per cent above the normal during the coming year. There is at present a deficit in hogs in the United States, as compared with last year, of not less than 10 per cent. The present tendency unless checked promises a further decrease of at least an equal percentage by the new year. Immediate action is therefore necessary to meet the actual decrease, check the prospective decline, and stimulate the vitally needed 15 per cent increased production. Accordingly we urge upon the Food Administration that it shall make such arrangements as will assure to the producer now called upon largely to increase his product a price sufficient to cover the cost of production and a reasonable profit, this being the one way in which this increase can be assured.

We therefore propose that the Food Administration, through an appointed commission of experienced men, shall ascertain the cost of production of hogs (which production cost shall cover the grain and other feeds consumed, labor, interest, shelter, and particularly the risk from disease and death), these costs to be measured in bushels of corn. We urge the Food Administration to establish the price of hogs, the same to be based on the Chicago market price for cash corn during the months in which it was consumed, this price to be established monthly, or preferably on the weekly basis, in advance at the principal market centers.

To stimulate the much increased production appealed for, we most earnestly emphasize that the equivalent value of 100 pounds average live hog in Chicago be equal to not less than the value of 14 bushels cash corn as fed during the months previous to market. This ratio is necessary and essential to secure the much above normal pork production so urgently asked for by the Food Administration.

Although we believe in normal times that the general law of supply and demand should rule, yet in these emergency days the results from the normal working of such natural economic laws comes too slowly to meet the situation of scarcity of pork products. We understand that the prime reason for establishing a minimum ratio of 14 to 1 is to stimulate production at the earliest possible moment by encouraging our people to breed their swine for spring farrow. The ratio therefore should apply to next spring's 1918 crop, and should be applied beginning August 1, 1918, when the crop starts coming to market at the age of 6 months and over. Therefore, we further doubly emphasize that the minimum ratio be established at once, and be given the widest possible publicity before November 1, at which time the breeding season is opened.

We believe that the only practical means of securing an increased amount of meats, particularly fats, for this winter will be for the Food Administra-

tion to put into effect a system of differentials by which a liberal premium will be paid on finished hogs over 225 pounds in weight sufficient to cover the increased cost and risk of production of this added weight.

To command the confidence and immediate support of the swine producers, immediate, definite, and certain action is most imperative.

CHAS. L. MEHARRY, Attica, Ind.,
A. SYKES, Ida Grove, Iowa,
C. V. GREGORY, Chicago, Ill.,
F. E. DRURY, Jacksonville, Ill.,
E. L. BURKE, Omaha, Nebr.,
GORDON HAYES, Red Oak, Iowa,
JOHN M. EVVARD, Ames, Iowa (*Chairman*),
Committee on Resolutions.

No. 4.

SOUTH OMAHA, NEBR., October 5, 1917.

HON. HERBERT HOOVER,
United States Food Administrator,
Washington, D. C.:

We, members of the National Swine Growers' Association and other swine growers, in convention assembled at South Omaha, Nebr., this 5th day of October, 1917, fully appreciate your calling on us in this national crisis for our advice and help, and we assure you of our hearty and patriotic support. We fully appreciate the imperative need of an immediate and extraordinary increase in the production of live stock in this country, especially hogs, and to that end we respectfully make the following recommendations:

First. We indorse the methods for increasing the production of hogs and cattle as recommended to you on September 18, 1917, by "certain members of the Live Stock Industry Committee."

Second. We indorse and join in the recommendations made to you by "representative swine growers of the corn belt in convention assembled at Waterloo, Iowa," on October 3, 1917.

Third. In addition to our approval of the foregoing resolutions, we desire to bring particularly to your attention the necessity for fixing immediately in advance the price of hogs for short periods at all the principal live-stock markets of the country on the basis of cost of production during the entire feeding period, plus a profit which will provide the necessary stimulant for the abnormal production desired and the need for making such prices effective.

Fourth. There is grave danger that owing to the lack of definite information regarding prices for live stock, the whole campaign for increased production will prove a failure. We, therefore, can not urge too strongly the necessity for prompt action on your part, with definite assurances that remunerative prices will be paid, and we further strongly recommend that the commission appointed to fix the corn vs. pounds of pork proportion shall be largely composed of practical swine men.

[United States Food Administration, meat division.]

HOG AND CORN RATIOS.

REPORT OF COMMISSION APPOINTED BY THE UNITED STATES FOOD ADMINISTRATION
TO INVESTIGATE THE COST OF PRODUCING HOGS.

OFFICE OF THE FOOD ADMINISTRATION,
Chicago, Ill., October 27, 1917.

HON. HERBERT C. HOOVER,
United States Food Administrator,
Washington, D. C.

DEAR SIR: Your commission appointed to determine the cost of hog production, in terms of bushels of corn, and to advise as to what is deemed essential to encourage production begs leave to submit the following report:

We believe that definite, stimulative action is immediately necessary if the pork supply of the Nation and the Nation's allies is to be sufficient to meet demands.

There is a marked feeling of uncertainty evident on the part of the producer. This is manifest in the large number of unfinished hogs now going to

market. There is a big tendency to market potential breeding stock—breeding stock that is essential to further increase. The feeling of unrest and uncertainty on the part of the producer is greatly accentuated by the recent marked drop in price of live hogs. First and above all, confidence should be instilled so that producers will feel that when their hogs are finished for market, they will sell at a fair price—at least sufficient to cover the actual cost of production and a fair profit.

In all of our deliberations we have borne steadfastly in mind the world-wide problems of supplying ourselves and our allies with meats and fats, and particularly have we kept uppermost in our thoughts the consumer. The consumer's and the producer's interests in these United States rest on a common foundation of laws, customs, economic relationships, and social life.

PRODUCERS OPPOSED TO PROFITEERING.

We believe that the sentiment of the swine, producer is overwhelmingly opposed to any unjust or profiteering arrangement that will be hurtful to the great rank and file of consuming interests. And further, that all the producer asks is a sensibly sound, economic arrangement whereby he may secure for his efforts expended in the production of pork simply the cost of production plus a fair profit. In other words, a price for his hogs that shall meet our President's definition of a just price.

We believe that under normal conditions the ordinary laws of supply and demand should rule, but in this emergency situation the results desired come too slowly, and may be out of proportion to the urgent demands of the moment. Therefore, definite, artificial stimulus and regulation are necessary in order to secure the products needed; and to insure a fair and just relationship among producers, packers, and consumers.

CORN RATIO TO HOG FEEDING.

The commission finds that the approximate, equivalent value of 12 bushels of No. 2 corn is necessary to produce 100 pounds of average live hog under average farm conditions.

While hog production for the 10 years ending 1916 has been maintained on a ratio of 11.67 bushels of corn to 100 pounds of hog, we believe, when all the losses are taken into account, that it is doubtful whether there has been a profit on the business with this ratio on the average.

The normal number of hogs in the United States is approximately 65,000,000 as contrasted with the present supply of not more than 60,000,000. To bring swine production back to normal, the commission believes that it will require a stimulative market which will pay at least the equivalent value of 13.3 bushels of corn for 100 pounds of average hog.

We further believe that the equivalent value of at least 14.3 bushels of corn must be paid for 100 pounds of average hog in order that production may be stimulated 15 per cent above the normal.

MINIMUM PRICE FOR IMMEDIATE FUTURE.

The best emergency method of stabilizing the market and preventing the premature marketing of light, unfinished pigs and breeding stock, we firmly believe, is to establish immediately a minimum emergency price for good to select butcher hogs of \$16 per hundred pounds on the Chicago market. For the purpose of immediately stimulating production of swine for the next year we recommend that a ratio be immediately established and announced at once, same to go into effect February 1, 1918. Steps should also be taken to prevent, as far as possible, any large or sudden change in prices when they go from the minimum basis to the ratio basis. This minimum price should also apply to other markets and to other classes of market hogs, with the usual or normal differentials.

We recommend that the question of price range between the various market classes and grades of hogs should be determined by a suitable committee of representative packers, live-stock commission men, and representatives of this commission, the same to be appointed by Mr. Hoover.

A correct price for hogs can not be determined by using the basic corn value of the month in which this hog is marketed. This method is economically unsound and unjust, because the feed which is chargeable to this hog was consumed during the previous months.

INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS. 605

To establish the market value of 100 pounds of average hog, in terms of corn, a weighted average of the corn consumed by the hog or its antecedents during the period of 12 months previous to marketing must be taken into consideration. The determined approximate percentage of corn consumed for the period of 12 months of the market hog and its mother is distributed approximately as follows:

| | Per cent. | | Per cent. |
|--------------------|-----------|---------------------|-----------|
| First month..... | 2 | Eighth month..... | 9 |
| Second month..... | 2 | Ninth month..... | 15 |
| Third month..... | 2 | Tenth month..... | 20 |
| Fourth month..... | 3 | Eleventh month..... | 17 |
| Fifth month..... | 4 | Twelfth month..... | 15 |
| Sixth month..... | 6 | | |
| Seventh month..... | 5 | Total..... | 100 |

In determining a ratio we believe it essential that this ratio should be varied by months in accordance with the historical differentials between the respective months as in normal times, so as not to throw our ordinary marketing, distributing, and producing practices out of line. Our normal monthly historical ratios from December to April gradually increase. Thus indirectly they put a premium on the holding of the previous spring-farrowed hogs to latter markets, and in this manner act as differentials in favor of feeding these hogs to heavier weights. If a definite ratio of 13.3 be established, that ratio shall therefore be the average of all of the months within the year, and thus necessarily not be constant throughout the entire period.

We have therefore rearranged the average ratio, by months, according to the following recommended tabulated presentation:

TABLE I.—Average ratios arranged on the differential monthly basis.

| Month. | Average ratio of 11.67 ¹ (weighted average based on 10 years, 1907-1916, inclusive). | Average ratio of 12. ² | Average ratio of 13.3. ³ | Average ratio of 14.3. ⁴ |
|----------------|---|-----------------------------------|-------------------------------------|-------------------------------------|
| January..... | 11.00 | 11.30 | 12.50 | 13.50 |
| February..... | 11.60 | 11.90 | 13.20 | 14.20 |
| March..... | 12.40 | 12.80 | 14.10 | 15.20 |
| April..... | 12.70 | 13.10 | 14.50 | 15.60 |
| May..... | 12.30 | 12.70 | 14.00 | 15.10 |
| June..... | 12.10 | 12.40 | 13.80 | 14.80 |
| July..... | 12.00 | 12.30 | 13.70 | 14.70 |
| August..... | 11.80 | 12.10 | 13.50 | 14.50 |
| September..... | 11.80 | 12.10 | 13.50 | 14.50 |
| October..... | 11.30 | 11.60 | 12.90 | 13.90 |
| November..... | 10.60 | 10.90 | 12.10 | 13.00 |
| December..... | 10.40 | 10.70 | 11.90 | 12.70 |
| Average..... | 11.67 | 11.99 | 13.31 | 14.31 |

¹ This represents the average of 10 years' figures, same being computed on the composite value of the corn consumed in the 12 months previous to the marketing of the hog.

² This ratio represents approximate production cost.

³ Represents ratio necessary to bring production back to normal.

⁴ Represents ratio necessary to increase production 15 per cent above normal.

CHICAGO BASIC MARKET FOR PRICES.

Chicago is a basic market for corn and hogs. Therefore we recommend that Chicago be used as the basis in any price stabilization and that adjustments of differentials, which may be found necessary in order to prevent any injustice against any section or market, be made by the Food Administration.

The present ratio, figured on a weighted average for late October, 1917, shows that on the basis of Chicago No. 2 corn and Chicago average hogs, that 100 pounds of average hog is selling for the low value of practically 8.8 bushels of corn, and at this time 100 pounds of average hog is selling for the current

606 INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

equivalent value of only 7.4 bushels of corn. It is easy to see and fully comprehend why there has been a marked decrease in production and why thousands of light, immature, and unfinished hogs have been or are being rushed to market.

In the periods of heavy loss the future production of the industry is threatened. Swine men can not persistently stay in a losing game even though they are intensely patriotic. They have taxes to pay and mouths to feed, and can not be, financially speaking, good citizens in this terrible and costly war if they are engaged in a losing business.

Conditions that existed during Civil War times are particularly suggestive as regards what happens to the corn and hog ratio. The figures for the years covering 1861 to 1866 are particularly interesting in that they give us historical precedent which may be of immense value in formulating methods of stimulation and regulation in the present conflict. The ratio between corn and hogs, as well as the approximate price for corn, is therefore presented herewith for your consideration:

TABLE II.—Civil War ratios and corn prices.

[Figured on current monthly values.]

| Month and year. | Explanatory statements. | Ratio. | Price of corn per bushel. |
|----------------------|---|-----------------|---------------------------|
| | | <i>Bushels.</i> | <i>Cents.</i> |
| January, 1861..... | Profit period before war started..... | 17.7 | 28.5 |
| April, 1861..... | War begins..... | 15.1 | 30.1 |
| July, 1861..... | Conditions apparently normal as yet..... | 11.7 | 22.9 |
| October, 1861..... | | 13.1 | 22.0 |
| January, 1862..... | | 10.4 | 22.6 |
| April, 1862..... | | 11.1 | 26.2 |
| July, 1862..... | | 9.1 | 28.1 |
| October, 1862..... | Period of decline begins..... | 8.6 | 33.8 |
| January, 1863..... | | 7.7 | 46.6 |
| April, 1863..... | | 9.0 | 47.3 |
| July, 1863..... | | 8.9 | 48.1 |
| October, 1863..... | Hogs noticeably lag behind corn..... | 5.2 | 79.2 |
| January, 1864..... | | 7.1 | 82.4 |
| February, 1864..... | Period of depression; war in full blast..... | 7.1 | 89.1 |
| March, 1864..... | | 8.3 | 79.1 |
| April, 1864..... | | 7.7 | 92.0 |
| May, 1864..... | | 6.2 | 104.4 |
| June, 1864..... | | 6.3 | 114.7 |
| July, 1864..... | | 6.6 | 129.6 |
| August, 1864..... | | 8.9 | 100.5 |
| September, 1864..... | | 7.3 | 130.3 |
| October, 1864..... | | 6.9 | 124.7 |
| November, 1864..... | | 7.2 | 135.5 |
| December, 1864..... | | 10.4 | 96.5 |
| January, 1865..... | Stimulation becomes evident in spite high price corn..... | 12.4 | 90.0 |
| February, 1865..... | | 12.8 | 88.1 |
| March, 1865..... | | 14.2 | 78.6 |
| April, 1865..... | The war ends..... | 15.1 | 62.9 |
| May, 1865..... | Following peace, stimulation becomes marked again..... | 14.0 | 53.8 |
| June, 1865..... | | 14.9 | 52.4 |
| July, 1865..... | | 16.4 | 56.3 |
| August, 1865..... | | 16.0 | 67.4 |
| September, 1865..... | | 19.5 | 60.0 |
| October, 1865..... | | 24.8 | 49.2 |
| November, 1865..... | | 21.2 | 52.5 |
| December, 1865..... | | 21.6 | 42.0 |
| January, 1866..... | Stimulative ratios prevail..... | 24.9 | 37.3 |
| February, 1866..... | | 26.6 | 35.4 |
| March, 1866..... | | 25.2 | 37.3 |
| April, 1866..... | | 20.3 | 42.1 |
| May, 1866..... | | 18.2 | 47.9 |
| June, 1866..... | | 17.6 | 51.0 |

That these conditions are somewhat approximated by the conditions existing during the past year is evident from the figures given below, from November, 1916, to October, 1917, same being figured on the monthly basis, as are the Civil War ratios:

TABLE III.—*World war ratios.*

[Figured on current monthly values.]

| Month and year. | Explanatory statements. | Ratio. | Price of corn per bushel. |
|----------------------|--|-----------------|---------------------------|
| | | <i>Bushels.</i> | <i>Cents.</i> |
| November, 1916..... | War has been in progress a little over two years; conditions fair. | 9.7 | 102.0 |
| December, 1916..... | | 10.9 | 92.0 |
| January, 1917..... | Ratios practically normal | 11.1 (12.2) | 99.0 |
| February, 1917..... | | 12.4 (13.4) | 100.8 |
| March, 1917..... | | 13.3 | 111.8 |
| April, 1917..... | | 10.9 | 144.9 |
| May, 1917..... | | 9.7 | 163.9 |
| June, 1917..... | | 9.2 | 170.7 |
| July, 1917..... | Depression at its depth; future breeding discouraged. | 7.6 | 200.0 |
| August, 1917..... | | 8.6 | 197.2 |
| September, 1917..... | | 8.8 | 208.6 |
| October, 1917..... | | 8.7 | 198.0 |

The decrease in production coincides fairly well with the decrease in the ratio, so that at the present time, October, 1917, we are in a period of marked depression; depression that is reflected all the more inasmuch as it is breeding season—the vital season of the year from the production standpoint. We believe that stimulation for the present, through the establishment of fair ratios, will tend largely to avoid the extreme stimulative ratios which are apparently bound to come later if hands are kept off and ordinary laws of supply and demand are allowed to rule. It is better for the producer, consumer, the Government, and our allies that these ratios be kept somewhat in normal line, and therefore regulation and present stimulation by the Food Administration is of paramount importance.

It is the emphatic opinion of this commission that, to secure increased production under present abnormal conditions, definite assurance of a fair price of hogs should be given to producers by the Food Administration, and that the widest possible publicity be given to whatever action is taken with reference to the hog situation. And, further, it is also suggested that this information be furnished as soon as possible to live-stock exchanges, State councils of defense, State food committees, administrative officers of the Federal and State Departments of Agriculture and various agricultural colleges, county agricultural agents, and to the general and agricultural press.

Very respectfully submitted.

JOHN M. EVVARD, *Chairman, Ames, Iowa.*

LAWRENCE P. FUNK, *Bloomington, Ill.*

N. H. GENTRY, *Sedalia, Mo.*

W. A. WILLIAMS, *Marlow, Okla.*

J. H. SKINNER, *Lafayette, Ind.*

TAIT BUTLER, *Memphis, Tenn.*

E. W. BURDIE, *Herman, Nebr.*

PRICES OF HOGS.

STATEMENT OF JOSEPH P. COTTON, CHIEF OF THE MEAT DIVISION.

UNITED STATES FOOD ADMINISTRATION,
MEAT DIVISION,
Chicago, November 3, 1917.

Joseph P. Cotton, chief of the United States Food Administration meat division, to-day issued the following statement relative to the prices of hogs:

The main purposes of the Food Administration as to hogs are four: To see that the producer at all times can count on a fair price for his hogs so that it will be profitable to him, to see that the farmer increases the number of hogs bred, to limit the profit of the packer and the middleman, and to eliminate speculation.

INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS



HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE AND FORESTRY UNITED STATES SENATE

SIXTY-FIFTH CONGRESS

SECOND SESSION

RELATIVE TO

INCREASING THE PRODUCTION OF GRAIN AND MEAT
SUPPLIES OF THE UNITED STATES

MARCH 19, 20, 21, 22, AND 30, 1918

Printed for the use of the Committee on Agriculture and Forestry

PART 7

NOV 7 1918

INFORMATION BUREAU LIBRARY



WASHINGTON
GOVERNMENT PRINTING OFFICE
1918

"This is further shown by a letter from Mr. Hoover to Mr. Lasater under date of December 4, which in part says:

"If you resigned because we stopped meat exports during a short period of acute shortage to our own consumers, you now witness a large increase of exports to the allies as the complement of our conservation policy and our desire to support the cattle industry."

"This statement from Mr. Hoover confirms the statement made by the allied buyer to Messrs. Pinchot and Lasater previously mentioned. But the Bureau of Markets of the United States Department of Agriculture, monthly report, shows that there was marketed during September, October, and November, 1917, more than 1,500,000 more cattle than were marketed during the same months of 1916, and on December 1, 1917, the surplus of beef in cold storage had increased over the same date for 1916, 57 per cent, which plainly shows that the 'acute shortage' claimed could not have existed. The report of the Bureau of Markets of January 1, 1918, shows 308,675,029 pounds of frozen beef in storage; the report of February 1, 1918, shows 283,671,955 pounds in storage.

"The records of the Food Administration show that there was no diminution in consumption of meat for the Nation, as a whole, during 1917, compared with 1916. The Food Administration, cooperating with the packers, did succeed in breaking the market for beef cattle from September 1 to December 1 about \$4 per hundred. The losses from December 1 to March 6, 1918, average more than \$20 per head on steers marketed."

In my letter to Mr. Hoover under date of November 12, which I attach in full, I state:

"On October 6 there appeared in a Chicago newspaper an interview with Dana Durand, an employee of the Food Administration, predicting \$10 hogs, when the present cost to the producers was between \$16 and \$17. Naturally demoralization followed in the hog market, extending as well to all classes of beef cattle. Later you advised me that Mr. Durand made no such statement, but that Jack Cudahy, who is one of the leading packers of Chicago, had put out the interview for the purpose of breaking the hog market.

"The records of the live-stock markets show that the desired result of the packers was handsomely attained, all through the interview which you stated was spuriously put out by Cudahy.

"The Food Administration and the Durand-Cudahy interview sunk more shiploads of beef and pork than all the German submarines have been able to do up to date—a loss to the whole people—that the Chicago packers might be able to garner in some millions more.

"When I realized that a few days prior to the publicity mentioned one of the large allied buyers stated to Mr. Pinchot and myself that you had requested them to stay out of the market for beef for some days, giving as a reason that you thought it would go cheaper, it is difficult to understand that the Food Administration was not in sympathy with the object sought to be attained by the Durand-Cudahy interview.

"The Food Administration took no steps to make the Nation aware of the outrage against its welfare by the Chicago packer. This lack of action can not plead ignorance as an extenuating circumstance."

To any unprejudiced mind it will appear strange that Mr. Hoover took no steps to advise the public of the connection of one of the large packers, Cudahy, with this interview.

These situations are not compatible with a sense of responsibility on Mr. Hoover's part for the Nation's welfare.

He has said "Food will win the war." Why could he not see that it was his duty to make the public aware of the facts in a plot to destroy values on so colossal a scale, the success of which inevitably meant the discouragement of the production of meat animals?

Instead of fixing the responsibility for the interview in question, he was content with disclaiming responsibility of the Food Administrator and allowing the perpetrator to go unwhipped of justice.

The relations of Dr. Durand, representative of the Food Administration, continued most cordial and cooperative with the Cudahy interests, as shown by the letters of their several officials read into the record of the hearing of the Committee on Agriculture of the Senate by me March 30, 1918.

Mr. Hoover closes his statement by again vouching for the patriotic service rendered by the employees of Swift & Co. I give below part of the correspondence read into the record of the Federal Trades Commission's investigation of

the packing industry at a hearing in Chicago February 25, 1918, as applicable to his contention.

ROOM 653, FEDERAL BUILDING,
Chicago, Ill., Monday, February 25, 1918—2 p. m.

Met pursuant to recess.

Present: Same as before.

Thereupon the following proceedings were had:

Mr. HENRY. The next batch of letters relates to the Food Administration, particularly to Chambers and F. S. Brooks. Mr. F. S. Brooks is an employee of Swift & Co., who is now acting on the Food Administration, a dollar a year from the Government, but his salary still continues all right with Swift & Co.; as to these others whom we will mention later.

"Chicago, Ill., July 9, 1917," addressed to Mr. W. B. Traynor, and this is from F. S. Brooks. And, by the way, Mr. F. S. Brooks, Mr. Commissioner, was the representative of Swift & Co. who attended the different cattlemen's association meetings, at the time they were trying to carry out the plan which is in evidence to prevent the investigation under the Borland resolution. And one part of the plan was to try to get the conservatives, as they called them, into control of the cattlemen's association. Mr. Brooks went to a number of these meetings, and his reports we have back as to what he did for them representing Swift & Co. This is during the years 1916 and 1917, before he went on this. (From Mr. Louis F. Swift.)

2 copies—EFS (San Francisco) EFS CHS FGS, jr.
LAC FSH ARF HV RCM ADW.

CHICAGO, ILL., July 9, 1917.

Mr. W. B. TRAYNOR:

Mr. Edward Chambers, vice president, in charge of traffic, Santa Fe system, informed me confidentially Saturday afternoon that he had through Mr. Ripley been called to Washington to serve with Mr. Hoover as an associate in direct charge of the transportation end of the food conservation program.

Mr. Chambers will undertake to bring about complete cooperation and harmony among the railroads of the United States in the execution of such plans affecting their interests as may be promulgated from time to time by Mr. Hoover and his advisers.

Mr. Chambers said that in his new duties he thinks that he will, from time to time, be brought in contact with our interests, and in that connection that we may depend upon him to the limit as our friend.

It is the purpose of Mr. Chambers to return to Chicago about once a month for a day or so to keep nominally in touch with the affairs of his department of the Santa Fe, but so far as he knew his duties with Mr. Hoover will keep him on the job in Washington throughout the period of the war.

Mr. Chambers in this capacity will be one of the most powerful railroad men in the United States, and it is peculiarly gratifying to say that he is probably the best friend I have among my friends.

Mr. Chambers was recommended to Mr. Hoover unanimously by the American Railway Association, the Interstate Commerce Commission, and many leading interests of the country.

Mr. Chambers left Chicago July 6 for Washington to assume his new duties.

F. S. B.

We will show presently that Mr. Brooks got his job partly through Mr. Chambers.

The next is a telegram dated:

[On Western Union telegram blank.]

Copy—From Mr. Louis F. Swift.

WASHINGTON, D. C., August 15, 1917—6.08 p. m.

SWIFT & Co.,

Union Stock Yards, Chicago, Ill.:

I will appreciate very much your contributing the services of your Mr. F. S. Brooks to the United States Food Administration to assist Mr. Chambers in handling transportation matters. Mr. Brooks is very highly recommended,

612 INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

and this request is made for patriotic reasons. Would like him to report here Monday next.

5.51 p. m.

HERBERT HOOVER.

Copies EFS CHS GFS JR GHS ABS LAC FSH ELW HV RCM ADW FSB WL ARE.

That went to everybody connected with Swift & Co., including even Mr. Henry Veeder. It may be in the vaults.

"Chicago, September 10, 1917." This is a record of a telephone—something that was telephoned Mr. Traynor by Mr. Veeder Monday, September 19, 1917, about 3.15 p. m. It is as follows:

"CHICAGO, September 10, 1917.

"Telegram from Thomas Creigh, cattleman, who went down to Washington to attend the meeting of the live-stock committee with Hoover:

"Fisher and Burke of the marketing committee very much disliked by Hoover. They have no influence in Washington. E. C. Chambers, vice president Santa Fe, on Hoover's staff will have the naming of the meat-products man, who will handle that end of the business. I believe Hoover will put a price on hog products but not on beef or mutton. Chambers is very friendly to packers. The packers will have a great influence on the price to be put on meat products, and I think it is wise for them to use a great deal of discretion in making this price, for two reasons—

"1. To be fair to the producer;

"2. To stimulate production;

and I think the price should be as high as the consumer will stand.

"I think the marketing committee will be discontinued at the next meeting of the American National Live Stock Association."

COMMISSIONER DAVIES. Who signs this?

Mr. HENRY. I beg pardon?

COMMISSIONER DAVIES. Who signs this?

Mr. HENRY. This is from Tom Creigh, cattleman, who goes down to this meeting. He was not known to everybody to be Tom Creigh, cattleman, nor to us at that time, but he was known to them.

"I think the marketing committee will be discontinued at the next meeting of the American National Live Stock Association, as most of the members are disgusted with their talks and actions. They are still in Washington and will be at the meeting to be held with the committee and the packers. This is a time for the packers to show their good will toward the producer, and I hope they will take advantage of this opportunity to do so.

"Chambers has more influence with Hoover than any other man in Washington. Swift has a good man in Washington in Mr. Brooks.

"Telephoned Mr. Traynor by Mr. Veeder, Monday, September 10, 1917, about 3.15 p. m."

Then a letter (reading):

"UNITED STATES FOOD ADMINISTRATION,
Washington, D. C., November 15, 1917.

"MR. W. B. TRAYNOR,

"Care of Swift & Co., United States Yards, Chicago, Ill.

"DEAR MR. TRAYNOR: As a matter of general information, Messrs. Pinchot and Lasater have retired from the Food Administration. Their activities were largely of a negative character, hence the remodeled plan of administering live stock jointly with the meat division under Mr. Cotton.

"The involved interests considered, adopted, and made effective November 12, at Kansas City, a zone plan we submitted for a more even distribution of live stock receipts there. St. Joseph necessarily was included, and we are hopeful that the plan is the solution of a problem which has baffled the involved interests for so many years.

"They were having difficulty in keeping the price down in Omaha. It was getting out of line with the other places, as I will show by some other correspondence later. And this zone plan worked that out.

"Chicago is now considering a similar plan, having abandoned the branch-line idea, which we thought they would find necessary to do.

"Am beginning to feel the effects of close confinement and the mental strain incident to the dispatch of business involving various questions 14 hours daily.

INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS. 613

"In my letter of November 12 overlooked saying to you the letter addressed to the President went to the various live-stock exchanges of the country.

"With kind regards and in haste,

"Very truly, yours,

"F. L. Brooks."

I think it should be kept in mind, Mr. Commissioner, that Mr. Brooks is drawing a salary from Swift & Co. at the time he is writing this to Mr. Traynor, the right-hand man of Mr. Swift.

A telegram of November, 1917, over the private wire of Willson & Co., and, by the way, the packers, the big packers, all have a private wire into Washington now, Mr. Commissioner, from New York. They did not have until since the war started. Armour's entered at Baltimore, and I think Willson's was at New York. But they are in there; they are all in there now. This telegram is:

Form S 148 50M 10-17 W.

Telegram received at Chicago over New York wire; private wire.

195, Washn., T. E. Willson.

NOVEMBER 13, 1917.

WILSON & Co.:

Understand Mr. Lassiter has resigned from Hoover committee; issue statement saying Hoover policy regarding cattle feeding harmful to common welfare; think trouble started seizure for other purposes of quantity cottonseed cake which Lassiter wanted for cattle feeds.

HOWARD.

1229PH

Howard is Wilson's man in their branch house in Washington.

The next one is a telegram November 13, 1917:

S 150 W 20M 9-17 No. 1.

Wilson & Co. (Pen notation "A. S. K.").

Sent at Chicago private wire telegram be brief.

NOVEMBER 13, 1917.

H. M. HOWARD, Washington:

Your wire; would like to have you send me copy of Lassiter's statement if you can.

T. E. WILSON.

Lassiter was a member of the marketing committee of the National Cattle-men's Association.

Form S 148 50M 10 17 W.

Wilson & Co. (In ink: "A. S. K.").

Telegram received at Chicago over New York; November 13, 1917, private wire.

373 Washn., T. E. W.

Ansgr Lassiter. Says he has decided make no official statement at present. Keep you posted.

L H. M. H. (In ink: "F. E. W.").

435 PH

HOWARD.

The next is a statement which is marked at the bottom "Original in the law department." It bears the heading, "Washington, D. C., November 16, 1917," and is unsigned. However, the signature does appear at the left, I see.

WASHINGTON, D. C., November 16, 1917.

I learn that the letter which Lasater wrote to Hoover in response to the latter's request for a bill of specifications, was a most severe roast upon the packing industry of the country. Mr. Lasater goes so far as to make accusations against one of Mr. Hoover's closest associates, and even says that this gentleman is directly connected with banks which handle packers' papers. The letter is a loud one and its publication has been suppressed. It is also reported to me that the general statements of the letter are indorsed in substance by Gifford Pinchot. Whether or not anything will come out of it is problematical; but, if, as it is possible, a copy of the Lasater letter should get into the hands of some of the gentlemen in Congress, who are always looking for ammunition

with which to attack the packing industry, it may lead to further congressional investigation and to further embarrassment to business.

This information is to be regarded as confidential.

C. A. HAMILTON.

LAC FSH CO MR LFS EFS CHSGFS JR.

Mr. Hoover, on February 26, 1918, gave out a statement to the Associated Press to the effect that no one connected with the Food Administration was drawing a salary from any one of the packers. The following day these facts were read into the record of the Federal Trades Commission at the packers' investigation, Chicago.

" FEBRUARY 27, 1918.

" Mr. HENNEY. By the way, Mr. Tator, can you give us that information now?

" Examiner TATOR. I have here, Mr. Heney, the yearly salaries. Do you want that included?

" Mr. HENNEY. Yes, sir.

" Examiner TATOR. Read in?

" Mr. HENNEY. Can you tell us now the yearly salaries, the salary of Mr. Collins—what are his initials.

Examiner TATOR. Mr. H. B. Collins was manager of the produce department of Swift & Co., salary at \$10,000 a year.

" Mr. HENNEY. To what date has he received pay?

" Examiner TATOR. I find a credit on the books already posted up to March 2 of this year, a credit of \$190.90; a week by weekly postings his credit from January 5 to March 2, is \$1,773.73. In addition to that there was a special account, probably for expenses that I did not have time to analyze, amounting to \$1,410.51, since August 18.

" Mr. HENNEY. So that he is not only paid to date, but he is paid a little in advance—down to March 2?

" Examiner TATOR. Yes.

" Mr. HENNEY. Now, then, did you get Mr. Priebe's salary?

" Examiner MANLY. Well, is Mr. Collins still an employee?

" Examiner TATOR. Mr. Collins is still an employee of Swift & Co., but I was given to understand that he might be resigning from the Food Administration yesterday or to-day, possibly.

" Mr. HENNEY. Who gave you to understand that?

" Examiner TATOR. Mr. Chaplin, of Swift & Co.

" Mr. HENNEY. Yes.

" Examiner TATOR. That was his personal opinion?

" Mr. HENNEY. Is Mr. Priebe on the salary roll of Swift & Co.?

" Examiner TATOR. Mr. Priebe is on the salary roll of Priebe & Co. He does not get paid from Swift & Co.'s weekly pay roll, but it is deducted from Priebe & Co.'s account.

" Mr. HENNEY. Is there an account of Priebe & Co. in the books of Swift & Co.?

" Examiner TATOR. I did not find any; did not examine; could not examine entirely for that.

" Mr. HENNEY. Yes; did you—

" Examiner TATOR. I asked, however, where his salary account would be found, and I was told I would have to go to Priebe & Co.'s books, which I haven't had time to do.

" Mr. HENNEY. But you did see those books sometime ago, didn't you—in January?

" Examiner TATOR. Priebe & Co.'s?

" Mr. HENNEY. Yes.

" Examiner TATOR. No; I have not inspected those books for that purpose.

" Examiner MANLY. Mr. Twombly's memorandum.

" Examiner TATOR. At the time, Mr. Twombly's memorandum there—

" Examiner MANLY. On January 23.

" Examiner TATOR. I saw, however, Mr. Heney—

" Mr. HENNEY. Yes.

" Examiner TATOR. I saw, however, Mr. Heney, I saw the agreement that Mr. Priebe—that Swift & Co. have with Mr. Priebe—Swift & Co. has with Mr. Priebe with reference to salary he should get as manager of the Priebe Co. and his commissions.

" Mr. HENNEY. You saw that to-day?

"Examiner TATOR. I can testify as to that.

"Mr. HENNEY. You saw it to-day?

"Examiner TATOR. Yes. .

"Mr. HENNEY. What is it?

"Examiner TATOR. He was to get a salary of \$275 a month and share in the profit and loss of the Priebe Co. to the extent of 25 per cent after deducting 7 per cent interest on the amount of the capital and surplus employed.

"Mr. HENNEY. Now, who owns Priebe & Co.; it is a corporation, isn't it?

"Examiner TATOR. It is a corporation, and I presume our schedule shows that Swift & Co. owns it.

"Mr. HENNEY. Well, I happen to know the schedule shows it owns it. My recollection is it shows it owns a hundred per cent of the stock.

"Examiner TATOR. I have not actually inspected that account.

"Mr. HENNEY. Yes. How about Mr. Brooks?

"Examiner TATOR. Mr. Brooks—

"Mr. HENNEY. What Brooks is it?

"Examiner TATOR. F. S. Brooks. His salary is \$9,000 a year. He was in charge of the stock-yards interest of Mr. Swift and the company.

"Mr. HENNEY. In charge of the stock-yards interests? There is correspondence that I have here, part of which has been introduced, which shows—and I want the record to show this—that during 1916 and part of it—well, during 1916 and up to the time that he went to the Food Administration his duties were largely that of looking after the—or, at least during quite a portion of that time, he was attending conventions of cattlemen in the effort to have the control of those cattle associations gotten into the hands of what the big packers denominate the 'conservative element'—that is the element that was opposed to investigating them.

"Now, what is the salary?

"Examiner TATOR. \$9,000 a year.

"Mr. HENNEY. And to what date has he been paid?

"Examiner TATOR. He has been credited on the books subject to his drawing it up to March 2.

"Mr. HENNEY. Of this year?

"Examiner TATOR. Yes.

"Mr. HENNEY. And for the profits of 1917, does it show what he had been credited with?

"Examiner TATOR. I find that there is credited from January 13, 1917, to December 29, 1917, \$9,390.49. There are some extra little credits probably crept in there for special things.

"Mr. HENNEY. That was not the profits?

"Examiner TATOR. This is not—this is Brooks we are talking of.

"Examiner MANLY. Brooks.

"Mr. HENNEY. Brooks—oh, Brooks. I am mistaken, mistaking him with Priebe. Pardon me.

"That merely shows that he is paid his salary?

"Examiner TATOR. Yes.

"Mr. HENNEY. That is, entirely. And then there were some expense accounts, probably?

"Examiner TATOR. Yes.

"Mr. HENNEY. Did it show how much he had been paid during 1918?

"Examiner TATOR. From January 5 to March 2, 1918, he has been credited with \$1,545.12.

"Mr. HENNEY. Now, then, how about Kyle—or Hyle, rather?

"Examiner TATOR. E. O. Heyl.

"Mr. HENNEY. E. O. Heyl.

"Examiner TATOR. E. O. Heyl is connected with Libbey, McNeill & Libbey, at a salary of \$9,600, as manager of the vegetable and condiment department. His salary has not been credited since February 16.

"Mr. HENNEY. Since February 16?

"Examiner TATOR. The salary stopped at that time.

"Examiner MANLY. Did he resign?

"Mr. HENNEY. Did you have any talk with them about it?

"Examiner TATOR. No; I could not get over to inspect that, or to secure it personally. I inquired from Swift & Co., who got the information for me through Libbey, McNeill & Libbey's books. I had a man there who I think would give it to me as accurately as I could get it.

"Examiner MANLY. That was February 16 of this year?

"Examiner TATOR. Yes; of this year.

"Examiner MANLY. Of 1918.

"Mr. HENEY. That was after some of these letters were 'spilled' here, was it?

"Examiner TATOR. I don't know as to that, exactly. I think—

"Mr. HENEY. How? No.

"Examiner MANLY. No; the 16th.

"Mr. HENEY. February 16. That is the last paid, is it?

"Examiner TATOR. Well, it might be he would be getting another—that it was not posted since that date—but I could not verify that because I have not seen those books actually.

"Mr. HENEY. Well, you can do that to-morrow.

"Examiner TATOR. All right.

"Mr. HENEY. And, in order that the records may be perfectly clear here, Swift & Co. own all the stock of Libby, McNeill & Libby. That I do have a positive recollection as appearing in their schedules, although I know that they are claiming now for certain purposes that it is not anything but a branch house—a department, actually, or their general business."

The disclosures by the public hearings of the Federal Trade Commission in the packer investigation unquestionably show that W. F. Priebe was using his connection with the Food Administration to further the interest of the large packers. That Brooks and Heyl were put into the Food Administration to further the interests of Swift & Co.

That they were purveyors of inside information concerning the Food Administration to Swift & Co. That the Food Administration did cooperate with the five large packers in discriminating against the smaller packers and the producer of meat animals.

As applicable to point in question, the quality of my Americanism, I submit resolutions Nos. 1 and 2, passed at the annual meeting of the American National Live Stock Association in convention assembled, Salt Lake City, January 16, 1918. The resolutions were drawn by me and presented to the resolutions committee, were recommended by the committee, and adopted by the convention:

"Resolution No. 1.

"We affirm our confidence in the commander of our armies and the maker of public sentiment for the allied world, President Wilson. We believe that every interest should be subservient to the Nation's business in hand, which is to win this war. We pledge our President our whole-hearted support in any efforts or policies he may deem necessary to win this war: Therefore

"Be it resolved, That we approve of the concentration of power in the hands of efficient agencies for the purpose of developing and mobilizing the Nation's man power, the Nation's productive power, and the Nation's industrial power, so that from the maximum development of all these agencies an economic policy, proportioned fair and just to the whole people, may become the Nation's policy. We ask that in the delegation of the unusual powers to the various agencies necessary for the accomplishment of the above purposes, that consideration be given to the necessity of safeguarding the industrial freedom of our people when peace shall have been restored to the world."

"Resolution No. 2.

"It is the sense of this convention that the result of the world war now being waged by Prussianism against the rights of man will be decided by the ability of our Nation to adequately furnish food supplies for our allies: Now, therefore

"Be it resolved, That we urge our membership and the ranchmen and farmers of the Nation to produce this season's foods, foodstuffs, and animals fitted for slaughter to their maximum capacity.

"We realize that at the present time the market situation for our live stock and dairy products is bad, but looking at the world situation it is plain that we can not serve our children and humanity better than by hazarding our economic life at this time of democracy's peril. A willingness to sacrifice does not imply a lack of determination to demand and work for justice at the Nation's hand. When once the situation of the food producers of the Nation is understood by the people, we are firm in our conviction that the profiteers will

receive their just dues and that justice will be done to the producers of the Nation in that their products will be taken at cost of production plus a reasonable profit.

"We voice the opinion that a reasonable rate of profit shall not be less than the producer is charged on his long-time mortgage loans and for short-time accommodations from his local bank or merchant.

"We ask the producers of our Nation's food supply to be true to our country's welfare and to our boys in the trenches.

"It is safe to rest our cause upon the honesty of the American people."

Mr. Hoover's memory served him badly in stating price of cottonseed meal at the time of my resignation. It was \$60 per ton instead of \$70, as stated by him. I give below a telegram from Col. I. T. Pryor, giving cottonseed meal and cake market, as it then existed, viz:

SAN ANTONIO, TEX., November 5, 1917.

ED C. LASATER,

Congress Hotel, Chicago, Ill.:

I commenced buying prime cottonseed cake first part October, \$50 a ton. My next purchase—a week later—\$54 a ton. Next purchase, \$56 per ton. Last purchase, November 1, 100 tons, \$60. I still need about 400 tons to finish number of cattle I should feed, but unless there is something done by the Food Administration to check the advance in price, I will have to market my cattle unfinished and quit feeding.

IKE T. PRYOR.

Col. Pryor was the agency used by Mr. Hoover to get the live-stock interests to meet at Houston with the cottonseed crushers to discuss and agree upon a basis of settlement of the meal and cake situation. Mr. Pryor was requested to so act by wire the afternoon of my resignation.

Swift & Co., on November 1, 1917, had purchased a 10-months' supply of cotton seed for their mills. The regulation of the Food Administration only permits an accumulation of a 60-day supply. Swift & Co. were never forced by the Food Administration to disgorge.

I give here a letter from me to Col. Pryor, under date of November 10, in regard to the meal and cake situation at that time:

WASHINGTON, D. C., November 10, 1917.

MR. I. T. PRYOR,

San Antonio, Tex.

MY DEAR MR. PRYOR: I inclose a copy of a telegram that was to be sent yesterday morning by the Food Administration to E. A. Peden, United States food administrator for Texas. On the basis of this telegram I prepared a telegram addressed to I. T. Pryor, for sending to yourself and others. This was the situation at 12 o'clock on the 9th.

At 2 o'clock I was advised that the Food Administration had modified its telegram to Mr. Peden to the extent of simply "passing the buck" up to Mr. Goodwin, first assistant to Mr. Peden at Houston, which in due time, of course, would be "passed back" to the Food Administration at Washington.

Realizing the hopelessness of the situation as far as accomplishing anything of benefit to the producers and consumers, I handed in my resignation, copy of which I herein inclose, together with copy of the letter inclosing my resignation.

The Food Administration has abundant evidence to show the present unreasonable prices of cottonseed cake are due to a combination acting in concert to exploit the country to the limit. These facts will not be made public unless there is pressure brought to bear upon the Food Administration. Is it not possible for the producing interests of Texas to bring pressure to bear that will cause an investigation by some State agency, exposing the true conditions as far as cottonseed products are concerned? The seriousness of the situation can not be exaggerated. Please give this matter your best consideration and act at once.

I shall stay in Washington until our proposed meeting in Chicago in December. I will do what is possible to bring about the desired publicity on the situation.

Very sincerely, yours,

ED. C. LASATER.

As to live-stock statistics for the world handed out by Mr. Hoover about the time the Food Administration was created, I repeat the charge that he had no basis for them. In effect, they were faked. I am willing to admit that when it

comes to using camouflage Mr. Hoover is almost a superman. But when it comes to his making a guess that will be more accurate than the estimate of the Department of Agriculture, with its ramifications of machinery that cover the world, at a cost of millions to the Nation, I accept the statistics of the department.

The world supply, as shown in my statement, is taken from the data vouched for by the Department of Agriculture in its monthly Crop Reporter, February, 1918. If Mr. Hoover can by any chance be approximately correct, we should employ him as our national guesser, and at once proceed to enforce large economics in the Department of Agriculture.

As to the dairy interests, Mr. Hoover does not attach to his statement the letter from Mr. Campbell which he says "shows the entire misrepresentation by Mr. Lasater in this connection."

The showing made by me before your committee on the dairy situation was largely on briefs and statements of Mr. Campbell. I do not think that Mr. Campbell is capable of stultifying himself by giving Mr. Hoover the letter he claims to have; "seeing" in this instance will be "believing."

On October 20, 1917, Mr. Hoover stated to me that he at that time had a report from a commission that he had appointed to ascertain the cost of producing milk. That he did not deem it advisable to publish it, because it justified the prices the milk producers were trying to get. I argued that the consumers could not expect to be fed unless costs plus a reasonable profit were allowed to the producers. Mr. Hoover's reply was "they care nothing for cost, they want to buy it cheaper." He did nothing.

About a month later the conditions of the milk supply in the large centers of population became so acute that he appointed other commissions to ascertain "costs" of milk production, a subterfuge purely to gain time. He already had all the information that could be had and as exact as could be.

I will dismiss the dairy situation by giving here an editorial from Wallace's Farmer that appeared in its issue of February 22, 1918, on one of the commissions appointed by Mr. Hoover.

"The result of the commission's findings, however, has been to cause very great dissatisfaction among the milk producers tributary to Chicago, and will in the end create higher prices for milk than the reasonable prices the producers are now asking. More than this, the experience of these men with the Food Administration and the commission appointed by it has been such as to create in their minds a profound distrust both of the administration and of the commissions of this sort; a distrust which is being shared by the meat producers of the corn belt, who have suffered so seriously during the past eight months. Having in mind the interests of the country at large, this is a very unfortunate situation."

In regard to the omission, as charged by Mr. Hoover, from Admiral McGowan's letter, I specifically stated my reasons for quoting same, pages 537 and 538 of my statement.

The letter in question is taken in full from Bulletin No. 8, Committee on Naval Affairs, House of Representatives, January 22, 1918, and attached to my statement.

Mr. Pinchot presented the following memoranda to Mr. Hoover on October 22, 1917. Mr. Hoover at that time advised him that he, Hoover, was desirous of my continuing as live-stock expert with the Food Administration in Washington:

OCTOBER 21, 1917.

Memorandum for Mr. Hoover.

In order to promote the efficiency of the Division of Live Stock and Farming, we submit the following:

1. We understand that the work of the Division of Live Stock and Farming includes all questions relating to live stock not covered by Mr. Cotton's division and includes increase of live stock production (in cooperation with the United States Department of Agriculture), and all relations with farmers not specifically covered by other divisions of the Food Administration.

2. We understand that Mr. Cotton's division has charge of all relations with packers, live-stock exchanges, commission men, stockyards, and the interests of the shippers at the stockyards.

3. In order to do our work with effectiveness, we believe it is essential—

- (a) That all information acquired by the Food Administration as to quantities of meat products needed for export and home consumption and the prices of the same should be available to us.

(b) That all information acquired by the Food Administration in regard to supplies and prices of feed stuff throughout the United States should be available to us.

(c) That action taken by the Food Administration within the limit of our duties should be taken only after notification and consultation with us.

(d) That we should be kept informed of information secured and action taken by Mr. Cotton's division and other divisions in matters affecting the live-stock producing and farming interests.

4. That the heads of the Live Stock and Farming Division should be entitled to sit in all conferences where questions affecting live-stock production or supply, or animal-food product consumption, or farming interests not specifically covered by other divisions, are discussed and policies determined, and in the general conference at which the heads of the other divisions are present."

ED. C. LASATER.

GIFFORD PINCHOT.

Until after my sense of national welfare forced me to resign from the Food Administration with a view of forcing publicity upon its policies and practices I had no intimation from anyone that there was any difficulty of cooperating with me.

I trust the committee will carefully weigh the facts and records presented by Mr. Hoover and myself before deciding which has the "unreliable memory."

A study of the facts will show that he has not called back to Washington the same committee of advisers on live-stock problems twice. When by camouflage he could not steer those connected with production into accepting policies and practices that inevitably must lead to disaster he swapped his advisers.

Report of the committee of the United States Live Stock Industry follows. This report will show that an attempt was made by his advisers (selected by himself) to prevent from materializing much that has since happened.

REPORT TO THE FOOD ADMINISTRATION BY CERTAIN MEMBERS OF THE LIVE STOCK INDUSTRY COMMITTEE.

WASHINGTON, D. C., *September 18, 1917.*

The undersigned members of the live stock industry committee having been called to the office of the Food Administration, and having been asked to consider the suggested terms for licensing the packers and to present a constructive program for stimulating live-stock production, beg to submit the following:

We assume that the purpose of the Food Administration in licensing the packers is to enable the Government to exercise a direct influence on the prices paid the producer for the live stock and the prices paid by the consumer for animal products, to the end that both may be protected so far as practicable under existing war conditions, and that in the purchase and slaughter of live stock and the distribution and sale of meats and animal products the packers may not make unreasonable profits. The license arrangement, therefore, must be such as will give both producers and consumers assurance that the control by the Government is actual and not merely perfunctory. Rules governing it should provide—

1. For a system of accounting with the individual plants which will make it possible to determine their actual profits.

2. A system of uniform daily and periodical reports from all the plants which will show the amount and kinds of animals products on hand, the number, weight, the kinds of live stock slaughtered, the sales of meat and animal products; the prices paid for the live stock and the prices received for meats and animal products; the amounts received for by-products and their destination; and such other information as may be necessary to give comprehensive knowledge of the business. All such reports and information to be checked by the Government and given to the public as nearly contemporaneously as possible with the transactions to which it relates.

3. Limitation of packers' profits to a reasonable amount based as nearly as possible on the capital invested, the method to be determined in the most practical way by competent experts, keeping in mind the desirability of reducing the incentive to unduly influence the prices paid for live stock or the prices received for the products, and giving the packers a fair manufacturing profit and no more. Such fair profits, we believe, will be satisfactory to the producers and to the consumers.

Referring to rule 2, suggested by the packers, we are of the opinion that an annual net profit of 3 per cent on the total annual sales of the products mentioned is greater than is necessary or justified.

We believe the adoption of the foregoing will incidentally tend to increase production in so far as it may result in the establishment of fairer conditions at the live-stock markets, and that under the normal operation of economic forces both production and prices would adjust themselves in a reasonable length of time. It is true, however, that in time of war the trend of grain prices is usually unfavorable to the feeding of grains to live stock, and for this reason increased production to cover shortage does not come as quickly as under peace conditions.

We are informed by the Food Administration that the normal operation of the economic forces is to be modified in the following particulars:

- (a) By Government control of exports from the United States.
- (b) By such control of prices as may be found appropriate and practicable for the protection of the consumer.
- (c) By the centralized purchase of large quantities of meat and animal products by our own Government and by other Governments for military and civilian purposes.

(d) By the necessity of an immediate and extraordinary increase of production in the interests of the consumer and the successful conduct of the war.

Such measures as these make necessary something more than the mere licensing of the packers, and compel giving assurances to the producers which would otherwise be unnecessary. It is our belief that in connection with such licensing the following suggestions are worthy of your consideration:

(1) The Food Administration should see to it that all meats and animal food products for the United States and our allies will be bought at prices which shall fully cover the cost of production and manufacture, and make certain that such a profit shall be realized by the producer as will stimulate whatever abnormal production it deems essential, bearing in mind that no great increase in production can be brought about unless the average small farmer and feeder of live stock can be assured that under his conditions, now made more difficult by the effect of the war upon labor, feed, and other matters, he will receive a reasonable profit on the increased production he is urged to make.

(2) Cows are usually bred to calve in the spring and early summer. Next summer's crop of beef calves can not be economically finished for market until the fall of 1919 and the winter of 1919-20. An increase in the amount of beef during the next year must, therefore, come from the cattle of marketable or feeding age during that period. If the survey of the probable supply indicates that it will not be sufficient to meet the needs of ourselves and our allies we believe it would be possible to increase the supply of fattened cattle by making contracts with feeders to furnish specified numbers of fattened steers each month at prices which would be known and agreed upon at the time the contracts were made. It is not safe to depend upon existing statistics on the number of cattle in the feed lots or to go in during the next two months. A special inquiry should be made, directed to the feeders, who can be located through the commission houses.

(3) Hogs are finished for market at from 6 to 12 months of age. In the corn-belt States most of the pigs come in March, April, and May. The pigs from sows bred this winter will therefore come on the market beginning next September or October. During the past six to nine months the relation between the price of hogs and the cost of production has caused the marketing of hogs at weights much lighter than usual, and also the marketing of large numbers of brood sows. Because of the high price of corn and the relatively lower price of hogs, corn has been fed more sparingly than usual to last spring's crop of pigs and they are much lighter than usual at this season. Any increase in the amount of pork and pork products during the next six months must come either from the further marketing of brood sows (which would tend to reduce the pig crop next spring) or from feeding the existing crop of shoats to heavier weights than is usually found profitable.

An assured price premium for prime heavy hogs would probably result in a substantial increase in the number of pounds of live hogs marketed during the next six months. The number of hogs to be marketed during that period can not be increased but the total weight might be increased very much should the feeders be guaranteed the cost of making it.

During the next five months the price of hogs at the central markets should, under no circumstances, be permitted to go below the cost of production as measured in the value of the corn fed.

The number of sows bred to farrow next spring can be considerably increased if the producer can be assured that the pigs, when fattened for market, shall sell for prices which will fully cover the cost of production plus a reasonable profit.

To carry out the foregoing, the following suggestions are offered:

(a) Arrangement through the Food Administration of a Government guaranty that the price of next spring's pig crop shall not fall below the actual cost of production plus a reasonable profit, said guaranty to cover the fat hogs marketed between August 1, 1918, and April 1, 1919.

(b) If a marked increase in the production of cattle and sheep during the next few years is essential, and if a sufficient market is assured, a similar guaranty to the producer of cost of production plus a reasonable profit will bring about such increase.

(c) Control of the practices of the commission merchants and traders at the central markets including their charges for selling live stock.

(d) An investigation of the ownership, control, and operation of the various public stockyards at the market centers, and the inauguration of such regulatory measures as may seem necessary.

(e) Provision in the rules governing the packers which shall enforce their compliance with the foregoing policies as to prices and other matters which affect them.

(f) These recommendations are made with the understanding that no action will be taken to influence the price of corn or other grains fed to live stock.

(g) In the creation of the machinery which may be necessary to put these recommendations into effect, it must be kept in mind as a prime essential that it must be of such a character as to secure and retain the confidence of the producer.

We also recommend the establishment in the principal consuming centers of public retail markets operated by the Government, or by private agencies under public supervision, at which the consumer who pays cash and does his own delivering may buy meats and animal-food products at the actual wholesale cost, plus a small fixed profit. Enough such markets should be established to accomplish what can be done in this way to stabilize prices to the consumer.

To those who do not understand the seriousness of the situation as to meat supplies the foregoing recommendations may seem to overemphasize the importance of assuring a profit to the producer. We remind all such that assurance is needed, if production is to be stimulated to the extent that the Food Administration thinks necessary. If prices for live stock are below the cost of production, an increase in meat supplies can not be hoped for.

* * * * *

The balance of Mr. Hoover's denials and charges are fully covered by the letter of Mr. M. L. Requa, Mr. Hoover's first assistant, at that time, under date of November 22, 1917, in reply to my statement to Mr. Hoover, under date of November 12, previously referred to, and my reply to Mr. Requa, and the letters of Mr. J. W. Evvard and Mr. Henry Wallace, addressed to Mr. Gifford Pinchot, who was at that time my colleague in the live-stock department of the Food Administration. The letters here follow:

UNITED STATES FOOD ADMINISTRATION,
Washington, D. C., November 22, 1917.

Mr. E. C. LASATER,
1616 Twenty-second Street, Washington, D. C.

DEAR SIR: Your letter of November 12 to Mr. Hoover has been handed to me for perusal and consideration.

My first impulse was to say nothing in reply, but it seems to me necessary to review that part of your connection with the Food Administration with which I am familiar and point out to you wherein you have, I think, failed to grasp the magnitude of the problem, the multifarious lines of effort confronting the Food Administration and the perplexing difficulties surrounding all attempts to harmonize, at least in some degree, the diametrically opposed interests with which the Food Administration has to deal.

Before giving you the picture as I see it, however, may I be permitted to comment upon certain portions of your letter not in any spirit of criticism, but only in an endeavor to indicate wherein I think you are in error.

I did not say that "No damn man could make me eat that much crow." What did happen was that when you prepared a statement regarding lamb and veal which I characterized as so worded that it seemed to me you were deliberately attempting to put the Food Administration in a position where it would have to "eat crow," I said that I did not propose to permit anything of the sort if I could help it. The statement finally went out in a modified form.

Regarding the ratio of hogs to corn, I have no knowledge of Mr. Hoover ever promising to abide by any decision of a committee, and if he had made such a promise I am sure I should have known of it. What he did ask for was an investigation as to what this ratio had been over a period of years, and it was found that this ratio was not 14 to 1, but approximately 11½ to 1. The ratio of 14 to 1 fixed by that committee was, I presume, largely because Mr. Pinchot suggested it. My understanding is also that this recommendation was not regarded in the light of a confidential report to Mr. Hoover but that it was spread broadcast throughout the Middle West, was indorsed by a meeting in Omaha, and, I am persuaded, has on the whole done more harm in tending to create unrest and dissatisfaction than you and Mr. Pinchot can ever counteract by any constructive future work. There was no justification for it. It was, so far as I know, not founded on any careful investigation. There is ample statistical proof to indicate its error, and I have always believed this figure to be purely arbitrary and that it was arrived at from the viewpoint of the producer who desired not only the prewar average but something very much better as an inducement to stimulate production. The proof of all this lies in the fact that when Mr. Hoover did summon a committee of experienced men they did not bear out the 14 to 1 ratio but recommended 12, and under certain circumstances 13 to 1.

As to Mr. Wilson, permit me to say that I had a conference with Mr. Wilson here in Washington on the subject of the packers guaranteeing to the producers hog values on a basis of 14 to 1. Mr. Wilson says that he did not see how the packers could go into a guaranty of that kind unless the allies and the United States Government could assure them of a market for the products to be purchased.

You are correct when you say that I did say that I believed it unwise for anyone to undertake a guaranty of that kind unless they had some tangible guaranty upon which to base such action. Mr. Wilson, so far as I know, never had any serious intention of entering into any such program. I did not see then, nor do I see now, how anyone could undertake an unlimited guaranty of the kind you desire the packers to assume.

You are incorrect when you state that I protested the action of Mr. Cotton in advising through the press that a minimum price on hogs the coming year's crop would be the value of 13 bushels of corn for each 100 pounds of hog. I made no protests of any kind, nature, or description regarding Mr. Cotton's action.

Your reference to Mr. J. P. Cotton is evidently intended to imply that because Mr. Cotton has an office at 14 Wall Street, he is unfit to have any connection with the packers' industry. Oddly enough it happens that Mr. Cotton was at the time the attorney for Mr. Pinchot, and both you and Mr. Pinchot expressed great delight to Mr. Hoover when Mr. Cotton's appointment was announced.

I note that you approve the appointment of Mr. Humphreys. I shall watch developments with interest to determine whether Mr. Humphreys continues in your good esteem in view of his work here. Already I see signs of wobbling; you criticize regarding the cottonseed cake in Texas, solely from the standpoint of an interested cattleman, desirous of buying a product produced by another at a price lower than that citizen is at the moment selling his product for.

Had the Food Administration authority to fix prices, and had it fixed a price of \$40 for cottonseed cake early in the season, I suspect it would have your hearty support; had it fixed \$30, perhaps your enthusiastic applause. But what of the producers of cotton seed in the South? Surely you must recognize that they have rights coequal with those of the cattlemen, and that we should have earned their disfavor quite as heartily by putting the cake down as we have earned yours by attempting to find a compromise platform upon which

all citizens can stand with as nearly as possible equal treatment. The cottonseed matter is proceeding to the satisfaction of the residents of Texas, I have reason to believe, in view of a telegram received here from Mr. Peden recently speaking of a meeting in Houston and expressing the belief that the cottonseed crushers will accept a price of \$50 for their cake.

If this is accomplished, we can seize the cake in Galveston and pay \$50 for it rather than the \$60 or \$65 we should have to pay if the market price had not been averaged by the patriotic action of the crushers in the Houston meeting. Ten or fifteen dollars a ton on some 30,000 tons of cake was surely worth waiting a week for. If this cake is seized, it will have to be paid for at the market price by the Government, who would have lost the money—\$450,000.

You refer to the milk situation. Mr. Powell has the milk situation well in hand, I understand; prices have been agreed upon and a very much more harmonious relation brought about than could have been hoped for some weeks ago.

This, I think, covers the main points in your letter. And, having done that, permit me to draw your attention to what I conceive to be your failure to grasp the problem of the Food Administration. I am sure you do not realize the many diverse and antagonistic forces with which the Food Administration has to contend. You have been engrossed with only one phase of it—that is, the meat industry—you do not stop to view it as a whole and consider the other phases—some of them, perhaps, that you would never think of unless called to your attention. May I not enumerate a few of the more than 500 different lines; the problem of wheat, flour, bread; of binder twine; of ammonia; of arsenic; of fatty oils from Manchuria, from the west coast of Africa, from the Philippines; canned goods; butter, cheese, milk; car shortage; glucose; cold storage; corn and its products; cotton seed and its products; glycerine and soap; fertilizer; exports and imports; rabbits and rats; rice and macaroni; sugar; fruits and vegetables; wholesalers, retailers, and the conservation of food—but why elaborate? These are only a few of the problems which go to make up the great consolidated problem of the Food Administration. You came here interested in but one of them, and you are to-day, I am persuaded, still interested in but one.

Do you remember the first interview you and I ever had? I do very well. You proposed that the Food Administration should take over and operate the packing plants; and I said then, as I say now, that it would be an unwise thing to do, and an illegal thing to do. Your antagonism to the packer was not a surprise to me; it was simply a repetition in another form of the old struggle that I had recognized as existing for many years—the oil producer versus the oil refiner; the water owner and the land owner; the smelter and the miner; I did not believe, nor do I now believe, that it is the function of the Food Administration to solve this problem—we must regulate all as a war measure to accomplish war purposes and only that. I am sure that a solution should be found. I believe that I know what it is; but it is not taking possession of the plants and operating them for Government account.

You were impatient because results were not forthcoming with the same facility and speed that might be possible in some smaller personal transaction carried on by private individuals. You failed to recognize the diversity of interests in the separate States of the United States, from Maine to California, and from Canada to Mexico, and you expect right of way for your own particular interest regardless of other considerations. You failed to visualize the great picture as a whole, but focussed your attention upon a single section. Such procedure would be feasible if there were no opposing interests; with the mass of opposing interests procedure such as you contemplated was not only impossible, but if carried out might easily have ended in disaster.

The task of the Food Administrator is not an easy one. The complexities of the problem are unparalleled, unceasing, and a source of constant wonder to me. Almost daily a new angle arises; beautifully thought out plans are continually smashed into a thousand bits by utterly unexpected and unforeseen contingencies, and the work must be begun all over again.

I recognize your right to your personal opinion. I recognize your right to tender your resignation. But I can not believe or grant that you have any right to offer your criticism for publication in the newspapers of the country before you have heard the other side, or have made yourself acquainted with the actual conditions.

Very truly yours,

M. L. REQUA.

WASHINGTON, D. C.

Mr. M. L. REQUA,

Food Administration, Washington, D. C.

DEAR SIR: Your letter under date of November 22, in reply to my statement to Mr. Hoover, under date of November 12, reached me at Chicago November 29. Business necessities required that the intervening time be spent by me in Texas. I regret that I could not have given your communication attention sooner.

The assertion you make in your letter that Mr. Hoover could not have taken certain action without your knowledge I concede to be a fact. I can not imagine closer cooperation than I found existing between Mr. Hoover and his first assistant during the time of my connection with the Food Administration. I desire to state here that I found among the Food Administration's forces many patriotic men and women imbued with a desire to serve the Nation. They are conspicuously absent from Mr. Hoover's cabinet.

The intent of your statement, above acknowledged, is to convey to the minds of the country the impression that I was selfish and local in my views and sought only the welfare of the live-stock producers. Addressing myself to this accusation first, I give here a part of a statement prepared by Dr. Pearl, statistician of the Food Administration, under date of September 27, 1917:

"The general principles on which the price of food commodities of all sorts should be stabilized embody the following:

"First. That the regulations to govern the conduct of a food-producing, manufacturing, or distributing trade or industry should not be drawn up by the representatives of that trade or industry.

"Second. That the amount of rate of the 'fair profit' to be allowed each trade should be determined by the Food Administration and not by the trade concerned or any representative of such trade.

"Third. That the determination of profit should be stated in such clear, simple, and specific terms that on the one hand these profits can be plainly understood by the food producers of the country (the farmers) and the consumers, and on the other hand will immediately appeal to all intelligent persons as really reasonable and fair profits."

Also memorandum presented by me to Mr. Hoover a few days subsequently, which follows:

"In arriving at prices for all manufactured goods wages must be one of the important items considered. In arriving at any wage scale food costs will largely decide their sufficiency.

"We have now the wheat and flour cost established by an act of Congress. Is it not desirable to correlate the price of all coarse grains to that of wheat?

"Having established these bases to correlate as nearly as may be possible all finished animals for slaughter and dairy products with the bases above established, and having arrived at these bases for the prices, you have the price for the main staples of the food supply established. Is not this the logical method to pursue in establishing prices so that the values of all commodities may be correlated in a fairly close degree, to the end that the net returns from operation may be established for the different producing and manufacturing industries on a basis of reasonable parity?"

I now ask if the recommendations of Dr. Pearl were put into effect in the dealings of the Food Administration with the millers, the canners, the wholesale grocers, the cottonseed crushers, the sugar refiners, and the packers? If not, why not? I challenge you to produce any recommendation of mine at variance in principle with the above-given memoranda. Since our entering the war I have at all times thought in terms of the Nation and not solely as one of the producers of live stock. Had the principle embodied in Dr. Pearl's recommendations to Mr. Hoover, and those in the memoranda submitted by me to Mr. Hoover, been put into effect, there would to-day be no feed question, no sugar or grain milling question perplexing the country. The worries of the Food Administration would have been practically eliminated, because there would be no necessity of concealments. The cattle feeder and the milk producer would be commanding feed on a basis that would enable them to produce both milk and meat at a price that the consumers can afford to pay. As it is, both industries are paying the highest price for hay and protein feeds in the history of the country—this that a few speculators might garner in some millions of unearned dollars. The whole people would have had assurances that the intermediaries between producer and consumer were to be treated as laborers worthy of their hire and were not to be allowed to entrench themselves as exploiters of the Nation.

As to the Chicago packer, at my first interview with Mr. Hoover, and all subsequent interviews when the packer was discussed, I advocated control—not perfunctory control, but control that would absolutely insure his getting but a reasonable reward for the services he renders. Whenever you or Mr. Hoover expressed a dread of having to operate the packing plants, I always took the position that that was not the remotest of possibilities, because the packer was close enough in touch with public sentiment to realize that if his recalcitrancy forced the Government to take over his plants, public sentiment would never permit of their return for his uncontrolled operation. The Food Administration seems to think it is not necessary to place the supervision in hands outside of allied interests. The supervision I think requisite is indicated by my recommendation to Mr. Hoover as given in my statement to him of November 12, a commission composed as follows: Cotton, New York; McCarthy, Wisconsin; Pinchot, Pennsylvania; Gage, Texas; Burke, Nebraska; Eppard, Iowa (representative of labor union; biggest-brained man that can be obtained).

My judgment is that the country producer would react much more favorably if such a commission umpired the game between him and the packer than when Mr. Cotton acts alone as umpire. Mr. Cotton comes from 14 Wall Street, New York City; his clientele is the large financial interests in New York. You can not differentiate between the big packer of Chicago and the big financial interests of Chicago and New York. The unusual run of both immature cattle and hogs would indicate that the country does not feel safe with the supervision of the packer that has been supplied.

Now, as to the motives which you attribute to Mr. Pinchot and myself in our efforts to have a ratio fixed for hogs in terms of bushels of corn, I refer to the report of the commission appointed by the United States Food Administration to investigate the cost of producing hogs, being the same report you mentioned in your reply, and which you misquote in your vain effort to make a case against Mr. Pinchot and myself. I hereby give page 7 of said report in full, which shows that the commission appointed by the Food Administration recommends a ratio of 14.31 bushels of corn per hundred pounds of hog to secure an increase of 15 per cent over last year's production. This is the per cent of increase we had been advised to work for; the same being practically one-third of a bushel of corn more than recommended by the mass meeting of hog growers addressed by Mr. Pinchot and myself.

TABLE 1.—Average ratios arranged on the differential monthly basis.

| | Average ratio of 11.67 weight average based on 10 years, 1907-1916, inclusive. ¹ | Average ratio of 12.20. ² | Average ratio of 13.3. ³ | Average ratio of 14.3. ⁴ |
|----------------|---|--|---|---|
| January..... | 11.0 | 11.3 | 12.5 | 13.5 |
| February..... | 11.6 | 11.9 | 13.2 | 14.2 |
| March..... | 12.4 | 12.8 | 14.1 | 15.2 |
| April..... | 12.7 | 13.1 | 14.5 | 15.6 |
| May..... | 12.3 | 12.7 | 14.0 | 15.1 |
| June..... | 12.1 | 12.4 | 13.8 | 14.8 |
| July..... | 12.0 | 12.3 | 13.7 | 14.7 |
| August..... | 11.8 | 12.1 | 13.5 | 14.5 |
| September..... | 11.8 | 12.1 | 13.5 | 14.5 |
| October..... | 11.3 | 11.6 | 12.9 | 13.9 |
| November..... | 10.6 | 10.9 | 12.1 | 13.0 |
| December..... | 10.4 | 10.7 | 11.9 | 12.7 |

¹ This represents the average of 10 years' figures, same being computed on the composite value of the corn consumed in the 12 months previous to the marketing of the hog.

² This ratio represent approximate production cost.

³ Represents ratio necessary to bring production back normal.

⁴ Represents ratio necessary to increase production 15 per cent above normal.

I here give a memoranda of instructions from Mr. Hoover, in regard to what was wanted. Mr. Pinchot has this memoranda in Mr. Hoover's own handwriting:

"Want the hog producers to propose to the Food Administration that they would like for the Food Administration to make such arrangements as will fix the price of hogs from month to month based upon the weighted average price

626 INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

and consumption of corn at Chicago quotation for cash corn. The weighting of the consumption and price determined by a commission appointed by the Food Administration. The price when fixed to be calculated in terms of bushels of corn in such a manner as to cover the cost of production and profits."

Also telegram from Mr. Hoover to Mr. Deems, United States Food Administrator for Iowa, which clearly shows that there was intended to be the widest publicity given to our actions and not the secrecy your letter would imply.

HERBERT HOOVER'S OFFICE,
September 28.

Food Administration.

J. F. DEEMS,
Federal Food Administrator,
Burlington, Iowa.

I understand the Waterloo fair will offer an opportunity to reach the Iowa farmer. Messrs. Pinchot and Lasater, of our office, will put themselves in communication with you and will attend, but I would like it if you would yourself convey the following message to the Iowa farmer: "I would be glad if you would present to the Iowa farmers the pressing necessity from a national and war interest of increasing our hog output and at once. Fats have become a vital issue in the world; Iowa—our banner hog-producing State—has fallen behind during the past year, because of economic conditions adverse to the hog producer. This next year we will have a corn and feed crop in the country in excess of the animals to be fed, and in consequence we should have moderate or even low prices for corn and other feeding stuffs. On the other hand, we will have high prices for animal products and in fact of this national situation it must be my duty to exert my every influence through export—buying and otherwise—to maintain prices that will remunerate the producer and stimulate production. So far as I can see, the conversion of corn and other feeding stuffs into animals is the only method of marketing our large feed crops and must be to the producers' interests. This interest extends beyond this, however, for unless we secure a rapid increase in production of fats we will need, in order to protect our domestic supply, to restrict the exports to our allies. This is indeed a dangerous course, for they are our first line of defense and must be fed; and again, this is a matter of common humanity, for fats are critical to human life. I am therefore depending upon the farmers of our corn States to support the vital issues of the war by putting more weight on their present hogs, and to increase the herd in every direction. While I willingly pledge myself to leave no stone unturned to maintain profitable returns, I do not feel that Iowa needs more than the suggestion that this is a prime service in the war, and that every farmer should take up the national burden with the zeal that my native State has shown in every national cause. It is up to Iowa to lead."

HERBERT HOOVER.

As to the "eat crow" episode, if you will compare the statement in question—it is dated August 7, 1917—you will find that it did not go out "in modified form" but was incorporated in joint statement of Food Administration and Department of Agriculture issued August 22, practically word for word.

Far from showing any disposition on my part to have the Food Administration "eat crow," I question whether Mr. Requa could have backed away from an unfortunate mistake more diplomatically.

When your duplicity and deceit can be shown by the records of the Food Administration, I feel that it would be a superfluity for me to correctly brand the several instances in your letter of November 22 in which you take issue with facts related in my statement to Mr. Hoover.

Yours, truly,

ED. C. LASATER.

IOWA STATE COLLEGE,
AGRICULTURAL EXPERIMENT STATION,
Ames, Iowa, December 24, 1917.

To whom it may concern:

In care of Mr. Gifford Pinchot.

Mr. Gifford Pinchot, in a letter addressed to me December 10, 1917, may be quoted as follows: "Would you mind writing me a letter giving your own recollections of what took place about the 14 to 1 ratio, and any other comments which may occur to you? However, please write me whatever you remember to be the facts. Also, did I do any harm?"

The facts, therefore, I am stating as follows:

1st. The ratio of 14 to 1 which was suggested to the Hon. Herbert Hoover, United States Food Administration, Washington, D. C., by the representative swine growers of the corn belt in convention assembled at Waterloo, Iowa, the 3d day of October, 1917, was definitely suggested as a ratio which would stimulate production 15 per cent above normal. That there may be no misunderstanding as to what this ratio represented, I inclose herewith a copy of the Waterloo Appeal.

This ratio in no way represented the cost of production, but strictly represented what was necessary for stimulation, in the opinion of these swine men.

2d. The swine commission appointed by Mr. Hoover practically agreed with the representative swine growers which assembled at Waterloo the 3d of October, 1917. This commission reported as follows: "The commission finds that the approximate equivalent value of 12 bushels of No. 2 corn is necessary to produce 100 pounds of average live hog under average condition.

"While hog production for the 10 years ending 1916 has been maintained on a ratio of 11.67 bushels of corn to 100 pounds of hog, we believe, when all the losses are taken into account, that it is doubtful whether there has been a profit on the business with this ratio on the average.

"The normal number of hogs in the United States is approximately 65,000,000, as contrasted with the present supply of not more than 60,000,000. To bring swine production back to normal the commission believes that it will require a stimulative market which will pay at least the equivalent value of 13.3 bushels of corn for 100 pounds of average hog.

"We further believe that the equivalent value of at least 14.3 bushels of corn must be paid for 100 pounds of average hog in order that production may be stimulated 15 per cent above the normal."

The documentary evidence for this is submitted in the official report of the commission, a copy of which is attached herewith.

Third. Mr. Gifford Pinchot did not suggest a ratio of 14 to 1. Mr. Pinchot and Mr. Lasater at Waterloo simply asked the swine growers to tell the Food Administration what was necessary to stimulate pork production; in truth, to make a general report covering the essential necessities indispensable to the pork-producing business under the emergency war conditions. All this is clearly set forth, however, in the Waterloo report, attached, which gives the conditions and remedies. We understood at Waterloo that the Food Administration wished an increase of 15 per cent in pork production above the normal.

Fourth. Mr. Gifford Pinchot, at Waterloo, openly opposed before this committee a ratio of 14 to 1. He wanted to know if a lower ratio would not do the business. He was dealing, however, with men that are firm in their conviction, and these men emphasized that a 15 per cent increase above normal could not be assured unless the ratio was made 14 to 1. They felt that a ratio of less than 14 introduced uncertainty. The swine commission appointed by Mr. Hoover went on record with an even larger ratio, namely, 14.3 to 1.

Fifth. I do not believe that the Waterloo report has done any harm; in truth, I feel quite sure it has done considerable good. The definite statement of policy of Mr. Joseph P. Cotton, of the Food Administration, said statement being based on the report of the swine commission; this, coupled with the reports of the swine commission, has done much to create confidence and to stimulate pork production.

Sixth. The Waterloo report was made by a man who has had many, many years of practical experience in swine production, which in itself means that it was carefully made. As chairman of this committee I used my influence for a lower ratio, as did Mr. Pinchot, with the result that the ratio was lowered to 14 to 1; in truth, this was somewhat below the average of the opinions of the committee. All the men on this committee are patriotic, and I do not believe they had any idea whatsoever of profiteering in their minds. While some of them said that they would increase production themselves on a little lower ratio, yet they did not feel that their neighbor and their neighbors' neighbors throughout the corn belt would do so. Even in normal times a ratio of 14 to 1 has been quite common.

Seventh. The Waterloo committee were particularly pleased with the attitude of Mr. Pinchot, and in his absence they expressed appreciation among one another of the wholehearted way in which Mr. Pinchot fought for the interests of the Nation.

They felt that Mr. Pinchot would have been particularly delighted with a ratio of 12 to 1, or even 11 to 1, if such a ratio would have worked, but this committee of practical men could not sacrifice their convictions because the making of such a low ratio was certainly not in accordance with their convictions, because the making of such a low ratio was certainly not in accordance with their patriotic judgment. The committee felt that no personal favor should be shown, not even to Mr. Pinchot, but that cold, hard facts should reign supreme regardless of whose feelings might be touched.

The above are the facts straightforwardly presented.

Very truly, yours,

J. W. EVVARD,
Assistant Chief in Animal Husbandry.

WALLACES' FARMER,
Des Moines, Iowa, December 11, 1917.

HON. GIFFORD PINCHOT,
1617 Rhode Island Avenue, Washington, D. C.

DEAR MR. PINCHOT: I have recently had an opportunity to read a letter written to Mr. Hoover by Mr. Ed. C. Lasater, under date of November 12, 1917, and the reply received by Mr. Lasater from the Food Administration by M. L. Requa.

The contents of these letters have been very disquieting to me, revealing as they do a mental attitude on the part of Mr. Hoover and Mr. Requa which seems to be very antagonistic toward meat producers, and, what is much more serious, an attitude which, if it becomes generally known, will tend to still further shake the confidence of both meat producers and grain farmers in the Food Administration, and therefore result in decreased production, to the serious jeopardy of our national and international interests.

I am not familiar with the relations between yourself and Mr. Lasater and the chiefs of the Food Administration. I can find in Mr. Lasater's letter, however, an explanation of some of the things which heretofore I have been unable to understand. And from Mr. Requa's letter it is perfectly evident that neither he nor Mr. Hoover have been able to understand the conditions which affect food production; nor, apparently, are they able to understand the peril with which we are confronted.

I am particularly interested in what Mr. Requa says concerning the recommendations made by various swine breeders and other stockmen who met at Waterloo, Kansas City, and Omaha. You will remember that when you first telegraphed me on September 25, asking me as chairman of the hog committee to call a meeting at Waterloo I replied that I did not wish to call such a meeting; that I regarded it as a waste of time and money; that Mr. Hoover was then as fully informed as he could be concerning the cost of hog production; and that if the emergency justified he should adopt a constructive policy without further delay.

You replied to this, again strongly urging that I should call such a meeting, and I rejoined that any increase in the production of hogs was hopeless unless Mr. Hoover was prepared to act promptly, and that in the absence of such action further meetings would do more harm than good. Then I received your third telegram, dated September 30, in which you stated that by Mr. Hoover's authority you and Mr. Lasater requested me as chairman of the hog committee to call a meeting of representative hog growers at Waterloo; and added that you were then on your way out here.

I immediately sent telegrams to some 75 of the most level-headed hog producers in this part of the corn belt.

When you arrived at Des Moines you showed me a memorandum in Mr. Hoover's own handwriting, indicating the sort of action he hoped the meeting would take. When I saw this, all of my doubts as to the advisability of the meeting vanished, and I heartily agreed with you that it was well it should be held.

We went to Waterloo, and the next day found between 60 and 70 of the broadest hog producers in this part of the country. The situation was explained to them carefully, and a committee was appointed to draw up resolutions which would express the sense of those present. This committee went into session, and while it was preparing the resolutions you went to the dairy

show which was being held some miles away, to make a talk, returning but a very short time before the committee made its report.

I know of my own knowledge that Mr. Requa's assumption that you influenced the committee to suggest that hog prices be established on the basis of the value of 14 bushels of corn to 100 pounds of hog is entirely without reason. I remember very distinctly that when you and I were talking it over after the meeting adjourned, both of us expressed surprise that the combined judgment of the exceptionally strong men who formed the committee was to the effect that such a ratio would be necessary to bring about the increase in production asked for by the Food Administration.

I had nothing whatsoever to say to the members of the committee on this matter of ratio; and while of course I am not familiar with any conversation which you may have had, I am fully satisfied in my own mind from the conversations you and I had about it, that you exercised no influence to persuade them to bring in such a report.

The report of the committee speaks for itself. I look upon it as a most able presentation of the situation at that time; and it clearly reflects the sober judgment of level-headed men who are exceptionally familiar with hog production in the corn belt.

Mr. Requa suggests that this report was not regarded in the light of a confidential report to Mr. Hoover. Certainly it could not be in the nature of a confidential report. It was a large meeting attended by representatives from six or seven different States, and there was no suggestion that it was to be a secret meeting, or that its proceedings should be regarded as confidential. On the contrary, every effort was made to impress upon those present the necessity for increased hog production, and to lay upon them the duty of going to their respective homes and spreading this information as widely as possible, to the end that such increased production might be stimulated.

The hopelessness of the situation is reflected in Mr. Requa's statement that there was no justification for such a ratio, and that it was, "so far as I know, not founded on any careful investigation. There is ample statistical proof to indicate its error, and I have always believed this figure to be purely arbitrary." etc.

It is perfectly evident that if Mr. Requa read the report of this Waterloo committee, he read it very hurriedly, or is unable to understand its spirit. There is no suggestion in the report, nor in any interpretation which has been put upon it except his own, that the ratio of 14 to 1 represents the cost of production. Quite the contrary. It was given as a ratio which in the opinion of these experienced men would be necessary to bring about the greatly increased production which the Food Administration had urged.

Mr. Requa says further in his letter: "The proof of all this lies in the fact that when Mr. Hoover did summon a committee of experienced men, they did not bear out the 14 to 1 ratio, but recommended 12, and under certain circumstances 13 to 1." This is all the more discouraging, because Mr. Requa clearly misstates the facts. The committee of experienced men to which he refers not only bore out the 14 to 1 ratio but increased it. They recommended that a ratio of 11.67 to 1 was necessary to cover the cost of production; that to bring swine production back to normal it would require at least a ratio of 13.3 to 1, and that to increase production by as much as 15 per cent above normal it would require a ratio of at least 14.3 to 1. In other words, the more carefully selected committee which met at Chicago, the report of which the Food Administration accepted, and has acted upon in part and has published, suggested a higher ratio, than the Waterloo committee which Mr. Requa criticizes so unjustly.

It is a matter of most intense and most disagreeable surprise to me that such an important member of the Food Administration as Mr. Requa should so misinterpret the action at Waterloo and so unjustly criticize the part which you had in this action, and should further so misrepresent the action of the committee of experienced men which met in Chicago. It would make it very difficult for me to give full credit to what Mr. Requa may say on other matters.

Mr. Requa charges Mr. Lasater with failure to grasp the magnitude of the work of the Food Administration and the perplexing problems which surround it. From the letters which I have seen and from long experience, I fear that if the Food Administration fails it will be because of the unwillingness of those high in authority to give consideration to the judgment of practical men who are thoroughly familiar with actual conditions.

630 INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

I think I understand the feelings of yourself and Mr. Lasater at the ungracious reception which your sincere and patriotic efforts have met. I wish to express my very great admiration for the spirit in which both of you have acted. You displayed at Chicago a charity and patriotism which might well be emulated by some of those with whom you have tried to work.

As I said to you the last time we met, I am very fearful of the future. I am fearful that within 18 months we may experience a real famine in foodstuffs, a condition which might have been averted by wise action on the part of those in authority in our Food Administration and our Department of Agriculture.

Very truly, yours,

HENRY C. WALLACE.

I beg to be allowed to close this statement by having a letter to Mr. Hoover, signed by the president and secretary of the American National Live Stock Association, which is self-explanatory, printed into the record:

AMERICAN NATIONAL LIVE STOCK ASSOCIATION,
Denver, Colo., December 12, 1917.

(Personal.)

HON. HERBERT C. HOOVER,
United States Food Administrator, Washington, D. C.

DEAR MR. HOOVER: At a meeting of some of the officers and members of the executive committee of this association in Chicago on December 4 the letter from E. C. Lasater to you, under date of November 12, 1917, and the reply of Mr. Requa, of November 23, 1917, were read. The latter communication contains the insinuation that Mr. Lasater, in his work with the Food Administration, was actuated by a selfish purpose and was seeking to gain an unfair advantage either for himself or for our industry. Such an imputation is most unjust, and we can not permit it to pass unnoticed.

We highly regard Mr. Lasater's ability; we greatly admire him for his intense patriotism, for his unselfish devotion, and for the personal sacrifices he made to help our country in its struggle to maintain our ideas of civilization; and we deplore that the purity of his motives has been impugned. His departure from your force is a matter of keen regret to us, for we recognize his especial fitness to aid in the solution of the many live-stock and agricultural problems confronting the Food Administration.

Yours, respectfully,

I. T. PRYOR, *President.*
T. W. TOMLINSON, *Secretary.*

WASHINGTON, D. C.,
November 12, 1917.

MR. HERBERT HOOVER,
United States Food Administrator, Washington, D. C.

MY DEAR SIR: In compliance with your request of November 9 that I specify what "policies are harmful to the common welfare" I submit the following:

On July 25 I was asked by you to accept a position with the United States Food Administration. I commenced at once as Chief of the Department of Live Stock and Animal Food Products, was requested to make a report on general live-stock conditions, and to outline a live-stock policy for the Food Administration. I spent the first week in August in getting in touch with live-stock conditions as reflected at Chicago, Kansas City, and East St. Louis stockyards.

On my return I found the Food Administration campaign of "Eat no lamb, eat no veal" at its height. I at once advised Mr. Requa, your first assistant, that the campaign against veal and lamb was uneconomic, could not be made to increase our meat supply, and would result in a great loss to the producers, and should be stopped. I handed him a statement outlining what should be the policies of the administration in regard to use of veal and lamb.

His comment after reading the statement was that "No damn man could make me eat that much crow." My reply was that "Any damn man equal to his job would take the necessary steps to correct a mistake when shown that a mistake had been made." He proposed, "Let's see Hoover." We submitted the statement to you, no definite decision was made, and after general discussion of live-stock matters the interview closed.

Later I was advised to cooperate with Mr. Rommel and Mr. Rawl, of the Department of Agriculture, in the selection of a representative body of live-stock producers to be called to meet in Washington and to be known as the United States Live Stock Industry Committee. Such a meeting was held in Washington on the 5th, 6th, and 7th of September. I was asked to prepare a statement outlining the policies of the Food Administration in connection with live-stock production and conservation. Such a statement was prepared and contained the same policies as regards veal and lamb that were so strenuously objected to by Mr. Requa previously.

The Secretary of Agriculture joined with you in making this statement the joint policies of the two departments in regard to live-stock production and conservation. This statement was released to the country under the date of August 22. I make same a part of this statement. In connection with the Food Administration's campaign "eat no veal, eat no lamb," I do not charge criminality, only ignorance—ignorance of facts connected with economic live-stock production accepted by all the leading European countries, including Germany, and for many years exploited by our Department of Agriculture.

By the time of the meeting of the United States Live Stock Industry Committee on September 5 in Washington, I found the title of my department to read "Live stock and farming." All information in regard to meats and animal food products had been stopped from reaching my office. A subcommittee of the United States Live Stock Industry Committee made a report and recommendations to you on September 18. This report is on file in your office and is made a part of this statement. You later stated to me that there was nothing "worth while," nothing "creative" in the report. I hazarded the opinion that to a man big enough to visualize the future and have the necessary food supplies for our armies, our allies, and our people it is pregnant with wise suggestion. I refer you to Bulletin No. 229 of Dr. Pearl's department of the United States Food Administration and make the same a part of this statement. This bulletin shows when digested that to supply our needs the coming year we must have an increase in our hog supply of approximately 35 per cent, or 15 per cent more than last year, one of the large years in hog production.

After much dilatory tactics, you finally agreed with my colleague, Gifford Pinchot, that if he would have the swine breeders of the corn belt petition the Food Administration to correlate 100 pounds of hog to its equivalent in bushels of corn, you would make the relation so ascertained the value of the hog.

Mr. Pinchot had meetings with the swine breeders and feeders at Waterloo, Iowa, Omaha, Nebr., and Kansas City, Mo. Mr. Pinchot returned with the petitions and a new line of dilatory tactics developed—consideration of the welfare of the Chicago packer being one of them. Mr. Pinchot had a conference with Mr. T. M. Wilson of Chicago, head of the packers' committee, in Washington, and Mr. Wilson stated that he was in favor of action by the Food Administration as recommended by the petitions and would recommend to the packers that they join with the Food Administration in guaranteeing to the producers hog values so ascertained.

Two days later, in Chicago, Mr. Wilson advised Mr. Pinchot that he had withdrawn from the support of the measure because Mr. Requa, your first assistant, had advised him he did not think it wise for the packers; that it might involve a financial loss to them. After some days more of effort on Mr. Pinchot's part, despairing of accomplishing anything within your organization for the public welfare, Mr. Pinchot handed you his resignation, which is here made a part of this statement.

Knowing that inaction on your part meant sacrifice of the needed increase in meat production, after it was made plain that you were not going to take the action you had promised in the event Mr. Pinchot obtained the indorsement of the swine breeders and feeders of the plan, I wrote a telegram to Henry Wallace and submitted it to you, and advised its sending. It read as follows:

"HENRY WALLACE,

Chairman Hog Committee,

United States Live Stock Industries Committee,

Des Moines, Iowa.

"I will in the next few days appoint a commission to be known as the live stock and animal food products commission, of seven members, who will have supervision of all matters pertaining to production and marketing of live stock.

licensed packers, stock-yards companies, live-stock exchanges, and commission houses for the sale of live stock. This commission will decide upon the ratio in bushels of corn to be paid for 100 pounds of hog at the central markets. Will appreciate your holding yourself in readiness to consult with this commission on this matter."

Your comment upon this message was that you would not place a bunch of country producers in control of the packers. I then handed you a list of names that I recommended for the commission in question, as follows: Cotton, New York; McCarthy, Wisconsin; Pinchot, Pennsylvania; Gage, Texas; Burke, Nebraska; and Edwards, Iowa; representatives of labor unions—biggest brained men that can be obtained.

The interview ended without additional comment on the matter by you.

Under date of October 27 the committee, created by the continuous persistency of Mr. Pinchot to have the 100 pounds of hog established in its equivalent of bushels of corn by some authorized governmental agency, made its report. The same is here referred to and made a part of this statement. Finally, on November 3, Mr. Cotton advised, through the press, that the minimum price of hogs for the coming year's crop would be the value of 13 bushels of corn for each 100 pounds of hog.

Mr. Requa still protested such a decision, but action was forced at your hands when you were made to realize no more evasions would answer as far as the minds of the producers of the Nation were concerned. Mr. Cotton is a good enough lawyer to realize that the report last above mentioned removed every vestige of grounds for allowing hogs and hog products to longer be the speculative game of the Chicago packers.

On October 16 there appeared in the Chicago newspapers an interview with Dana Durand, an employee of the Food Administration, predicting \$10 hogs—when the present cost to the producers was between \$16 and \$17. Naturally, demoralization followed in the hog market, extending as well to all classes of beef cattle. Later you advised me that Mr. Durand made no such statement, but that Jack Cudahy, who is one of the leading packers of Chicago, had put out the interview for the purpose of breaking the hog market.

The records of the live-stock markets show that the desired result of the packer was handsomely attained, all through the interview which you stated was spuriously put out by Cudahy.

The Food Administration and the Durand-Cudahy interview sunk more ship-loads of beef and pork than all the German submarines have been able to do up to date, a loss to the whole people, that the Chicago packer might be able to garner some millions more.

When I realize that a few days prior to the publicity mentioned one of the large allied buyers stated to Mr. Pinchot and myself that you had requested them to stay out of the market for beef for some days, and giving as a reason that you thought it would be cheaper, it is difficult to understand that the Food Administration was not in sympathy with the object sought to be attained by the Durand-Cudahy interview.

The Food Administration took no steps to make the Nation aware of the outrage against its welfare by the Chicago packer. This lack of action can not plead ignorance as an extenuating circumstance.

You have put J. P. Cotton in charge of the packing and live-stock industries, a gentleman from 14 Wall Street, New York. Within the week Mr. Cotton was in my office. I had on my desk the Chicago market reports, which showed many thousands of cattle selling below cost of production. I called his attention to the situation; the same situation has existed with slight intermission for the past 90 days. I asked him what could be done about it, mentioned the fact, which he confirmed, that canned meats were now the highest on record.

He replied that he did not "know a thing about it." I concede Mr. Cotton's ignorance in all live-stock matters.

Other than transportation there is no industry of the magnitude or such vital importance to the Nation as the live-stock industry. Still you ask that 30,000,000 of people engaged on the farms of the country, every one of whom it is to the Nation's interest to make live-stock producers, to trust their all to the Chicago packer, supervised by J. P. Cotton, of 14 Wall Street, New York, a lawyer with big bank connections.

On October 20 I handed you my resignation, which read as follows:

"MY DEAR SIR: I hand you herewith my resignation from the Food Administration. I do so because I have become convinced that the policies which control it are harmful to the common welfare."

You stated: "I do not believe I deserve this." I replied that if you would listen I was willing to give the reasons for my conclusions. Then followed quite a discussion, largely of the actions and relations of Mr. Requa and yourself to the Chicago packer and live-stock interests. After I stated my case, in part you stated that it was true that Mr. Requa in the beginning had had great faith in the patriotism of the Chicago packer; that the Food Administrator had expected to accomplish much by their loyal cooperation; that Harry A. Wheeler, United States Food Administrator for Illinois, had entertained similar views, but that Mr. Wheeler had within the hour left your office after expressing himself as thinking that longer temporizing with the Chicago packer would be foolish; that nothing but the strong arm would get results. You advised me that Mr. Cotton had wired you from Chicago similar opinions, and that you had determined to conform the policies of the Food Administration accordingly. You expressed an appreciation of the services I had rendered, and said that I could be of "great service in the future." Realizing the seriousness of the situation as to live-stock production, I did not want to "rock the boat" if there was any possibility of making a landing with craft we were in. Accepting your statement as 100 per cent truth, I withdrew my resignation.

I spent the intervening time between October 20 and November 7 at points in the Central West and Texas. I reached the offices of the Food Administration on my return keenly alive to the importance of the feed situation as applied to cottonseed products. I at once took this matter up, found that Mr. Humphreys, of Memphis, Tenn., had been added to the administration forces. I have had large business transactions with Mr. Humphreys, knew him to be honest and capable. I was expectant of results. On the morning of the 8th I was shown an administration telegram by Mr. Humphreys advising the United States food administrator for Texas to confiscate about 20,000 tons of cake at Texas points.

NOVEMBER 9, 1917.

E. A. PEDEN, *Houston, Tex.*

Propose seize to-day and make available stock cake Galveston and Port Arthur prevented from export by President's embargo. We do not refer to anything intended for domestic or allied shipment. Find out if cattlemen are prepared to receive such cake and pay present market price, to be later adjusted to such price as Government must pay foreign owner. Ascertain by telephone from Galveston Wharf Co. total stocks cake meal and owners of same, then communicate owners' agents. Ascertain names of owners, quantities, and sales price. Ascertain if Galveston-Houston grinding plants will at cost plus 50 cents ton convert cake as wanted, beginning operations immediately, advising them if refused will requisition plant for this operation. This telegram shown Peden who has approved, and instructs Godwin proceed.

UNITED STATES FOOD ADMINISTRATION.

This looked like action at last. I was asked by Mr. Humphreys and others if I could sell the cake to live-stock interests. I advised that I could. I wrote several telegrams to bring about that result.

NOVEMBER 9, 1917.

I. T. PRYOR, *San Antonio, Tex.:*

The Food Administration will seize to-day about 20,000 tons cottonseed cake Galveston. This is the initial move to bring cottonseed cake to its reasonable value. I ask you to use your influence in concentrating orders for cake on Peden food administrator for Texas at Houston. This cake will be available at present market price with refund later of all concessions the Government may be able to force on present holders of the cake. Request your clientele to not anticipate wants by more than 30-day requirements; there is more cake than country will use and it will sell at reasonable price later. Please give this widest publicity.

LASATER.

At 2 o'clock in the afternoon I was advised that the telegram to the Texas United States food administrator had been changed and action on the cake delayed. I was advised that my telegrams in regard to sale of cake to be confiscated had been held up and was asked to modify them to conform to the change in plan of the administration in regard to the confiscation of the

634 INCREASED PRODUCTION OF GRAIN AND MEAT PRODUCTS.

20,000 tons of cake. I refused to change my telegram, stating that the Food Administration could no longer use me as a camouflage to deceive the live stock producer into thinking he had representation in the councils of the Food Administration. I made my resignation of the 20th of October effective by a letter of November 9, a copy of which I hereto attach.

The feed situation I had up with Mr. Requa early in September, later with Mr. Pyle, of Mr. Requa's department. I left nothing unsaid to emphasize the importance of the feed situation. Still the Food Administration had refused to act while seeing what should be a moderate price crop of cottonseed cake boosted by speculators until it is now the highest-priced cottonseed cake on record, this largely by the Chicago packer interests, who are desirous of obtaining a corner of fats, both vegetable and animal.

The milk situation has for months been acute. The present high price of milk is intimately related to the price of feeds, and until speculation is removed from the feed situation the public can not expect lower-priced milk.

Remedies offered by the Food Administration designed to better the feed situation, mention of which I observe in the newspapers, are efforts initiated after my resignation was tendered. Any action by the Food Administration tending to eliminate speculation from feed products will cheapen the cost of production, thereby benefiting the whole people.

It is due you to say that the Pinchot recommendations relating to corn and hogs partially have been put into effect since Mr. Pinchot's resignation.

I congratulate the country in that the Food Administration has at last commenced to move along lines indicated.

Respectfully, yours,

